BUSINESS WEEK

DEC. 21, 1946



The Assn. of American Railroads, headed up a steep grade, turns the throttle over to a veteran—Judge Fletcher (page 8)

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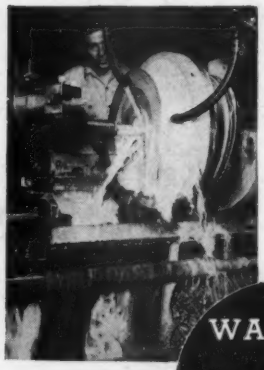
Every time a single workman stops, the nation suffers

THE income of this country consists of everything you and I and everyone produce. Then it's divided among us, so of course the more we all produce, the more there is to divide.

Suppose you stop work. You're still going to eat. But you're not adding anything to the production pool. Everyone in the country is going to have just that much less.

But the effect is even worse than that. Suppose you make copper wire; I make motors. When you stop work, I'm out of a job because there's no wire for my motors. A washing machine plant has to shut down because they can't get my motors. A retailer has to let a salesman go, because he has no washing machines to sell. And a lot of women have to do back-breaking work over scrub-boards because they can't get washing machines.

Yes, it makes a great deal of difference to you when someone else selfishly decides he won't work.



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Koroseal is a typical example of B. F. Goodrich development

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Pretty soft for baby. *Koroseal* is pretty grand, too, in a raincoat for baby's mother or father (roll it up and put it in your pocket—even when wet it won't stick). In luggage, handbags, shoe soles, it is practically scuff-proof. As upholstery it can be washed and so always looks new. In packaging or foodbags, it's odorless, tasteless, non-toxic. As flooring, it wears like iron, never needs waxing, isn't harmed by anything spilled on it.

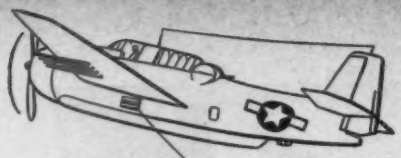
In industry, *Koroseal* tank lining holds acids that would even eat glass; as hose, it's tasteless, odorless for handling milk and beverages; as gaskets, it resists oil, grease, and abrasion.

Koroseal flexible synthetic can be made in any color, any form, any degree of hardness. It is another example of the continuous research at B. F. Goodrich to improve materials and products for American homes and industry. The B.F.Goodrich Company, Akron, Ohio.

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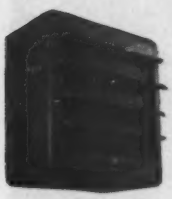


But . . .

proper heating and ventilating may be vastly more important to your business

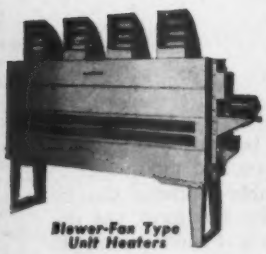
Developed during the war, Magnetic Airborne Detection and Short Range Navigation may revolutionize accepted methods of discovering metal or oil deposits. However, aerial exploration of the earth's secrets may mean little to your business.

Installation of Herman Nelson Heating and Ventilating Equipment is important to your business if you want to improve working conditions and thus help speed up production, keep employees on the job and reduce accidents to a minimum.



Propeller-Fan Type Unit Heaters

Herman Nelson Unit Heaters, Propeller and Centrifugal Fans and Unit Ventilators . . . the result of 40 years' constant and painstaking research . . . incorporate many exclusive features of design and construction to assure superior results. They have proved their value in thousands of installations all over America.



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When installing heating or ventilating equipment in any commercial, industrial, or public building, remember that you can't buy better products than those bearing the Herman Nelson nameplate.

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FOR 40 YEARS MANUFACTURERS OF QUALITY HEATING AND VENTILATING PRODUCTS

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The factory that looked like sad people!
by Mr. Friendly



One day Bill Bones looked at his plant and suddenly noticed it was made of people.
He said, Hello plant. How are you today? And the plant said, Terrible!
We're dreading! they said, Listen to us dread . . . Dread, dread, dread.
And what are you dreading? said Bill Bones who liked to be in on things.
We're dreading accidents, getting hurt, losing pay, losing skills.
As they spoke, the factory began to sag . . . production sagged and morale sank right down to the basement.
At that moment (surprising as it may seem!) Mr. Friendly, the American Mutual man appeared.
He took the plant's pulse, and said, Hmm . . . Then he wrote a prescription and handed it to Bill Bones.



It said, Get special new I. E. LOSS CONTROL!*
It's the best pick-up a sagging plant ever had . . . guaranteed to cure worker worries, low production. And it's a regular part of American Mutual Service—no extra charge.
Well sir, Bill Bones took out a policy then and there. And when the plant heard the news, it sat up, cheered and leaped with joy.
That's the first time, said Bill Bones happily, I've ever seen a factory start to fly!

The biggest extra in business insurance!

It's American Mutual's I. E. LOSS CONTROL *service.* Helps reduce manufacturing costs . . . Boosts profits and worker morale. Send for information today! American Mutual Liability Insurance Co., Dept. B 29, 142 Berkeley St., Boston 16, Mass.

**Accident prevention based on principles of industrial engineering.*



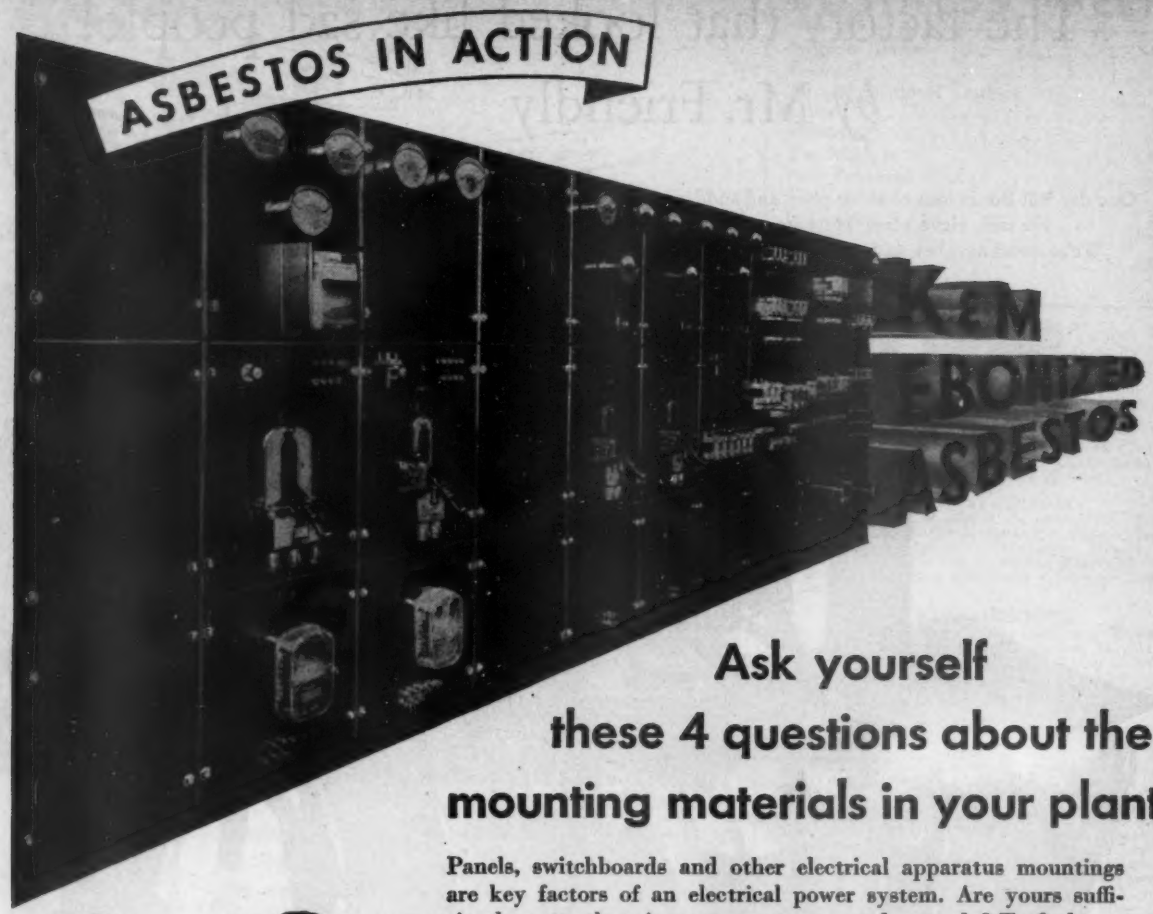
A M

Your helping hand when trouble comes!

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The first American liability insurance company

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Ask yourself these 4 questions about the mounting materials in your plant

Panels, switchboards and other electrical apparatus mountings are key factors of an electrical power system. Are yours sufficiently up-to-the-minute to meet present-day needs? To find out, ask yourself these four questions:



1. **Are they proof against moisture and oil absorption?**
2. **Can they stand frequent high-voltage surges?**
3. **Will they withstand vibration, or temperature changes?**
4. **Are they in perfect condition — without cracks and unwarped?**

If your answer to *any one* of those questions is "no", it's time to investigate the advantages of K&M Ebonized Asbestos . . . for Ebonized Asbestos is a high-dielectric panelling material that gives a positive "yes" to each of those queries. A tough, all enduring combination of asbestos, cement and an insulating compound, Ebonized Asbestos is ideal for modern electrical work, according to fabricators who work it, and plants that use it. When built into assembled units, it meets the technical requirements of Underwriters' Laboratories, Inc. Write us for full particulars about Ebonized Asbestos.



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WASHINGTON BULLETIN

THE BUMP OF 1947

The country faces a mild business bump in 1947. This will be the price of correcting maladjustments among wages, prices, and profits. The government can't do much about it without interfering with the correction. Anti-strike legislation, however, may be effective in making the readjustment less violent.

That is how Washington reads the carefully hedged report made to President Truman by his new-born Council of Economic Advisers. And all indications are that Administration policies and Truman's legislative recommendations to the new Congress next month will reflect this appraisal.

The President's press conference statement Wednesday—that he did not admit the possibility of any such recession, didn't agree with any such theory, thought the outlook for 1947 was good and would continue to be good if the people would remain at work—surprised no one. Even to avoid the appearance of another Wallace incident, he could not openly accept even an implied prediction of a slump.

Chairman Edwin G. Nourse, who attended the press conference, was well aware of the danger of a cross-up between the council's report and the economic report which Truman must make to Congress. To careful writing he had added a careful job of getting thorough White House clearance on his release. He could have learned from Wallace's experience that White House clearance carries no guarantee that the White House won't duck out.

Foresees Booming Years Later

The council foresees in 1947 the distinct possibility of "a year of curtailed production, irregular employment, and unsatisfactory purchasing power."

Only wisdom among both industry and labor leaders, the council believes, can moderate, if not avert, such a recession.

The nature of the trouble obviously is in the price-wage structure, rather than in any failure of capital investment. The council, therefore, sees no good in government measures, such as public works, or consumer or producer subsidies.

In any case, the council predicts several booming years to follow the troubles of 1947. Beyond that the council fears "deep depression," as war-deferred demand and war-generated buying power are used up. The only antidote is "the gradual shift in expenditures and resource use that wise foreseeing and astute planning for this inevitable trend of development suggests to a sagacious people."

Way Cleared for Tax Cut

For Truman, the implication of the council's bearish analysis of 1947 is clear. Resistance to inflation need no longer be the central point of the Administration's economic policy.

It can be expected, therefore, that Truman will not offer serious resistance to tax reduction proposals. In fact, the way is made easier as Senate Republican leaders walk away from extreme campaign promises. Congress and the White House thus may meet on a middle ground of moderate tax reductions. This would still leave room for bitter dispute over who will get most of the benefit of the cut (BW—Nov.30'45, p17).

Republicans will continue to stress an across-the-board slash giving the greatest percentage benefit to larger incomes. Democrats will doubtless counter with

War Agencies Pass to Old Hand at Alphabet Trimming

CPA, OPA, OWMR, and OES were taken over by the man who once acted as receiver for another famous set of initials—WPA and PWA. The wartime agencies were merged into a new liquidating outfit, the Office of Temporary Controls, and assigned to Maj. Gen. Philip B. Fleming, who had the job years ago of winding up the New Deal public works outfits. The 59-year-old Army engineer has held civilian posts, except for two years, since 1933, mostly on public works programs. He continues as head of the misnamed Federal Works Agency.

Paul A. Porter of OPA and John D. Small of CPA had left the government before the reorganization. Steelman of OWMR, whose star waned during the coal strike, was kicked upstairs, or rather sideways, into a post as presidential assistant. It is rumored that he will resign.

Still outside the lethal embrace of OTC is the housing setup. Wilson Wyatt's double job as Housing Expediter and NHA administrator has been split. Frank Creedon, 50, who was chief engineer on the Army's ordnance plant program, deputy rubber administrator, and builder of the Oak Ridge atom bomb plant, takes over Wyatt's emergency powers as expediter. Raymond Foley, long an FHA official and commissioner since 1945, will handle the NHA administrative duties.



Creedon *Steelman* *Fleming* *Foley*



Gleam in the Eye of a Navy Cadet

From the moment a Navy flying cadet arrives at his flying field barracks, his eyes and his heart are on "the line."

For there rests his first love, the plane in which he will learn many of the precise and efficient practices of Naval Aviation.

A new plane for "the line" at Naval training stations has flown its first tests—a primary trainer that looks and "feels" like the shipboard fighters some of the cadets will eventually fly.

Sleek, clean-lined, powerful, and with new safety features, this latest product of Fairchild design and engineering development is the XNQ-1. It embodies flight and safety characteristics never before attained in a plane of this type—characteristics that a farsighted Navy specified for the ideal training airplane.

Careful research and engineering skill mark the XNQ-1, as they mark all Fairchild products, with "the touch of tomorrow." These engineering skills won for Fairchild the XNQ-1 contract in a competition among the nation's topflight designers—a competition sponsored by the Navy's Bureau of Aeronautics

XNQ-1 Navy Specifications

Tandem, 2-place, low-wing, all-metal monoplane.

Flaps, retractable landing gear.

Controllable pitch propeller.

One-piece "bubble" canopy affording all-around vision.

New, Navy-developed safety cockpit.

Power plant—320 h.p., 9-cylinder Lycoming in a Fairchild-designed "power package."

Speed—170 m.p.h.

Rate of Climb—1,000 ft. per min.

Stability and control of carrier-based aircraft.

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roposals for increased exemptions that would take most of the cut off at the bottom.

•

OIL ANTITRUST ACTION DUE

The Justice Dept. has decided to drop its old Mother Hubbard oil suit. But this doesn't mean that it is abandoning antitrust action against many major oil companies.

Before asking formal dismissal of the over-all case, in which it sought to divest several hundred companies of pipeline and marketing facilities, the department will file new, separate actions against individual companies and groups. This maneuver has been in the wind for some time (BW—Jul.27'46, p7). The new suits will be filed shortly in several courts.

Brought in 1940 and hung up during the war, the Mother Hubbard case is pretty stale. Justice lawyers admit that trying to prove its broad charges would be heavy going. Much more specific charges of trade restraint will be made in the new separate actions. It's probable, however, that the American Petroleum Institute will not be included in this go-round.

•

CAPITAL GAINS (AND LOSSES)

The Army & Navy Munitions Board is drafting legislation to create a large emergency machine-tool reserve from war-surplus tools that are either special-purpose or currently in long supply. Tool builders like the idea because it

New Program Boosts Business Building, Cuts Housing

Key point for business in Truman's razing of the veterans' housing program is the coming relaxation of controls on industrial and commercial construction (BW—Dec.14'46, p17). The limit on approved projects, now $35,000,000 a week, is slated to go up at least to $50,000,000 in January. It'll rise rapidly thereafter.

Frank Creedon, the new Housing Expediter (picture, page 5), has long been an opponent of rigid limitations on commercial and industrial building.

• **No New Priorities**—Further aiding capital construction is the tapering off of priorities on houses. Although priorities issued on the half-million temporary and permanent houses now a-building are supposed still to be honored by suppliers, no new certificates will be issued.

This means that the newly approved business projects, by the time they need materials, will be free to bid against housing on a straight basis of price and buying pressure.

Through the first quarter at least, construction will get the benefit of allocations channeling steel, pig iron, and perhaps lumber into building materials.

• **Limiting Factor**—With the bars on nonresidential construction lowered, prospects are that some building materials will be scarce enough to be the effective limit on all building throughout most of '47. Cast-iron products—particularly plumbing and heating equipment—will be tightest, along with steel sheet and strip, hardwood flooring, and plywood. Correspondingly, there may be a surplus in other materials, such as brick.

Fear among building material producers that construction might not pick up fast enough to absorb all of their increasing production was a major force behind Truman's decision to end the forced feeding of housing. A broader motive was the feeling that, with inflation dangers waning and business perhaps facing a rougher year in '47, it was time to release some deferred capital expansion (page 9).

• **Downward Revision**—The Administration's shift probably means a cut in the number of homes built next year. Expectation had been that about a million permanent houses would be completed in 1947. The 60,000-a-month rate of completions at the beginning of the year was scheduled to continue well into the second quarter, on the basis of houses started this year. Then, as materials become looser, it would probably have risen to something like 100,000 a month.

Government forecasters are now reducing their estimates by a couple of hundred thousand, on the assumption that materials will be drained into nonhousing construction and that, with the $10,000 ceiling removed, more expensive houses will use more materials per unit.

• **Bad News for Prefabs**—The factory-built house program with which Wyatt hoped to pile an additional half-million or so houses onto the previously estimated program is now kaput. This will be regarded as a net gain by the conventional builders, along with the freedom from controls for which they've been clamoring. This freedom means:

(1) No priority paper work or quality standards are required—simply a formal federal permit.

(2) Price ceilings are off houses for sale.

(3) The rental ceiling on multi-unit housing projects is raised from a maximum of $80 a month to an average of $80. There's no over-all ceiling on rental of individual new houses. A rental figure will be written into individual permits.

(4) Speculative builders must still give first preference to veterans in sale or rental of houses, but contract builders are free to build for anyone who has the price, subject to a floor-space limit—probably 1,500 sq. ft. at first.

• **Vain Hope?**—No one has any great hopes for Truman's program of emphasizing rental housing. Relaxation of rent ceilings on new houses may have some effect, but he's bucking the fact that few people, in a period of peak costs and prices, will want to saddle themselves with long-term investment property if they can unload on an individual buyer.

The same obstacle stands in the way of stepping up the volume of Title VI (90%) FHA financing for rental housing—particularly since both the banks and FHA feel the same hesitation about approving mortgages based on present costs.

• **Little Chance for Housing Bill**—Beyond these moves the problem falls into the lap of the Republicans, from whom the President will ask enactment of last session's Wagner-Ellender-Taft long-range housing bill. This would provide yield insurance on rental projects undertaken by insurance companies and would authorize government construction of housing. But unless the gutting of the Wyatt program produces a powerful, delayed reaction among veterans sometime during the next year, the W-E-T bill is given little chance.

UMI



And You'll STOP Runaway Accident Costs

There is an expense buried in almost every profit and loss statement that should be studied closely — ACCIDENT COSTS.

Consider eye accidents for example. 30% of all disabling industrial accidents involve eyes. 95% of them can be avoided. Every dollar spent intelligently to prevent eye accidents is returned to management many times over in reduced costs.

To be fully effective, any eye safety program must induce worker cooperation. Comfortable fit in protective eye wear is your one best bet. Within the limits of maximum worker safety, comfort is the prime consideration in the design of all WILLSON eye safety equipment.

Have you seen the new
WILLSON Safety Posters?

Two views of "What You See" and "What a Blind Man Sees" give workers the best reason in the world for wearing safety goggles. Send for a supply (no charge) for posting on your bulletin boards.

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DOUBLE WILLSON
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203 WASHINGTON STREET, READING, PENNA.

would divert the tools from the market.

Tie-in sales, of the type that once raised OPA's blood pressure, now are being used by the price agency to get jobs for laid-off employees. Employers eager to hire badly needed secretaries and stenographers are being told that they can have three or four if they will take on a junior executive.

•

THE COVER

To hundreds of businessmen and government officials, the Assn. of American Railroads has always been synonymous with the old school manners and persuasive logic of Robert V. Fletcher.

• **New President**—As vice-president and general counsel of A.A.R. from 1934 to 1942, Fletcher was official spokesman for the railroads in countless discussions, investigations, and legal cases. In 1942, he dropped the general counsel work to take charge of A.A.R.'s elaborate postwar research program. Last week, the A.A.R. installed him as president, to succeed John J. Pelley who died recently.

Fletcher's first act was to announce that he would hold the job only temporarily—while the directors lined up a younger man to take over. But no matter how short his tenure, it almost certainly will see a lot of railroad history made. Within the next few months, the railroads—and the A.A.R.—will be wrestling with some of the biggest issues they have ever faced.

• **Problems**—On the operating side, there is the urgent problem of stretching freight car supply to cover the mounting demands of shippers until new cars can be built. A.A.R.'s car service division carries most of the responsibility for this.

At the head of the list of other railroad worries is the antitrust attack on rates and methods of rate-making. One case, brought by the State of Georgia, already is pending in the Supreme Court (BW—Oct.19'46,p36). Another, brought by the Justice Dept., is about ready to come to trial in Lincoln, Neb.

• **Defection**—On top of everything else, there is the ticklish problem of keeping peace in the industry. The A.A.R. is a loosely knit association; all the individual members have never seen eye to eye. For instance, Robert R. Young has announced that he will pull his three roads—Chesapeake & Ohio, Nickel Plate, and Pere Marquette—out of the A.A.R. next month (BW—Oct.19'46, p18). One of Fletcher's first assignments is to discuss "a proper basis" on which the three roads could still take part in some A.A.R. activities.

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The Pictures—McGraw-Hill Studio—Cover, 36; Harris & Ewing—5, 19, 78; Acme—84, 93; Int. News—24; Press Assn.—45, 82; Sovfoto—96.



Built for work!

THE 'Load Lifter' was designed and constructed for the tough lifting jobs under conditions that would soon wreck a hoist which did not have the special qualities of the 'Load Lifter'.

Brute strength it has! But the secret of long life and trouble-free service lies in features not found in their entirety in any other hoist. Here are some:

- . . . One-point lubrication
- . . . Two-gear reduction drive
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And 'Load Lifters' are so versatile they can be adapted to any circumstances within their capacities.

'Load Lifter' Electric Hoists are built with lifting capacities of 500 to 40,000 lbs. in all combinations required for industrial needs. They are adaptable to almost every working condition within their capacities. Send for Catalog No. 215.

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MUSKEGON, MICHIGAN

Builders of 'Shaw-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Makers of Ashcroft Gauges, Hancock Valves, Consolidated Safety and Relief Valves and 'American' Industrial Instruments.

THE OUTLOOK

SERVICE

Expanded industrial and commercial building not only will be permitted under the construction program as modified this week (page 7); it will be encouraged to take up the slack in home building before many months.

Speculative builders will take the cream off the residential market in the $15,000 and $20,000 brackets in the immediate future. Then it's skimmed milk until costs come down.

A few veterans will get homes in the process—not at $20,000 but by moving into the unit vacated by the person able to pay $20,000 (BW—Dec. 14'46,p17).

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Biggest disappointment to most followers of the veterans' housing program is that the government didn't do a few more things which, though unbusinesslike, would have brought results.

Particularly disappointing to these observers is the fact that prefabrication wasn't sprung overnight into a full-scale industry.

Meanwhile, for all the homes started this year (and they'll add up to nearly a million) precious few have been built under the $10,000 ceiling.

Completions will top 600,000 in 1947. But many of these were started before the ceilings went on; others will be finished after their lifting. And many are makeshifts—trailers and conversions.

Conventional homes at ceiling prices will total about 250,000.

•

The White House isn't risking a test of how well it might be able to administer the Employment Act of 1946 (watered down version of the full employment bill) in the coming year.

That's what the first annual report of the Council of Economic Advisers boils down to. There is no concrete forecast of 1947 business activity, no statement of actions that may be needed to provide jobs.

In fact, the council says only that prevalent predictions of recession in business sometime in 1947 may be accurate (page 5).

Both labor and management are called upon to do their best to keep things smooth by dealing together with moderation and intelligence.

As to Administration action, "We do not believe that 1947 presents a situation in which government should undertake heroic measures. . . ."

•

Many who advocate government planning for high employment will wish that Chairman Edwin G. Nourse and his fellow members of the Council of Economic Advisers had gone very much further.

The Employment Act of 1946 is a faltering step in the direction of governmental efforts to smooth out the business curve. Much is to be learned before any great success may be expected.

If the council had undertaken to call the turn, to tell what steps might be needed to keep business rolling in 1947, economists could have learned more of the workings of this law from the hits and misses.

However, we are left to expect "some years of great activity" before the law need be invoked against a potential depression.

•

Business may well note one succinct passage in the lengthy preamble to the Nourse report. This concerns the much heralded "business bump."

"If a majority of businessmen become convinced that a business recession 'is due' in a specific quarter of the following year, ordinary prudence

dictates that they shall put their business house in order for the impending storm. . . .

"If the various predicters and those who look to them for guidance, progressively comparing notes, come to substantial agreement in picking the third quarter as the time, 20% as the magnitude, and one year the probable duration of the decline, and if the majority of businessmen accept this counsel as their guide to action, it can be expected that they will make about the appropriate curtailment in operations and will emerge from the storm cellar at about the appropriate moment so that the prediction will in fact prove true.

"It will, indeed, become the engine of its own verification.

"The journey into the area of restricted production, unemployment, and low purchasing power will have been completed according to schedule or even accelerated. The question, however, might be asked:

" 'Was this trip necessary?' "

•

Problems to be faced when the government finally comes to grips with the job of maintaining employment—whether in 1947 or 1950—aren't going to make for any picnic.

John Jewkes, English economist who helped draw up the British White Paper on Employment Policy, points out, for one thing, that "full employment" is just one step from inflation.

He wonders, too, if forecasting national income is the proper approach. Maybe it would be better to count noses of the unemployed after the fact and then take appropriate action.

And remedies for shrinking business and fewer jobs aren't automatic. Our Council of Economic Advisers warns that federal fiscal moves—more spending, less taxing—won't prove a sure panacea. It may become a matter of how many controls we will accept to get the desired result.

It is conceivable that management or labor, or both, would have to take Washington dictation on wage rates. Or the government, as a practical matter, probably would make pay a one-way street, consulting management only on how rapid the rise should be.

•

Much repricing of industrial products must be expected in the near future. Basic raw materials still are rising.

This week saw major producers marking up important steel products—rail, merchant rods, and reinforcing bars (page 16). Steelmaking scrap also broke loose, although some mills resisted the new $5-a-ton rise.

Lead was advanced on Monday to meet the world price. Domestic lead had been selling at 11.8¢ a lb. delivered in New York while foreign metal, with freight and duty added, was quoted at 12.55¢.

•

Talk about receding prices for foods hasn't affected the markets to any appreciable degree.

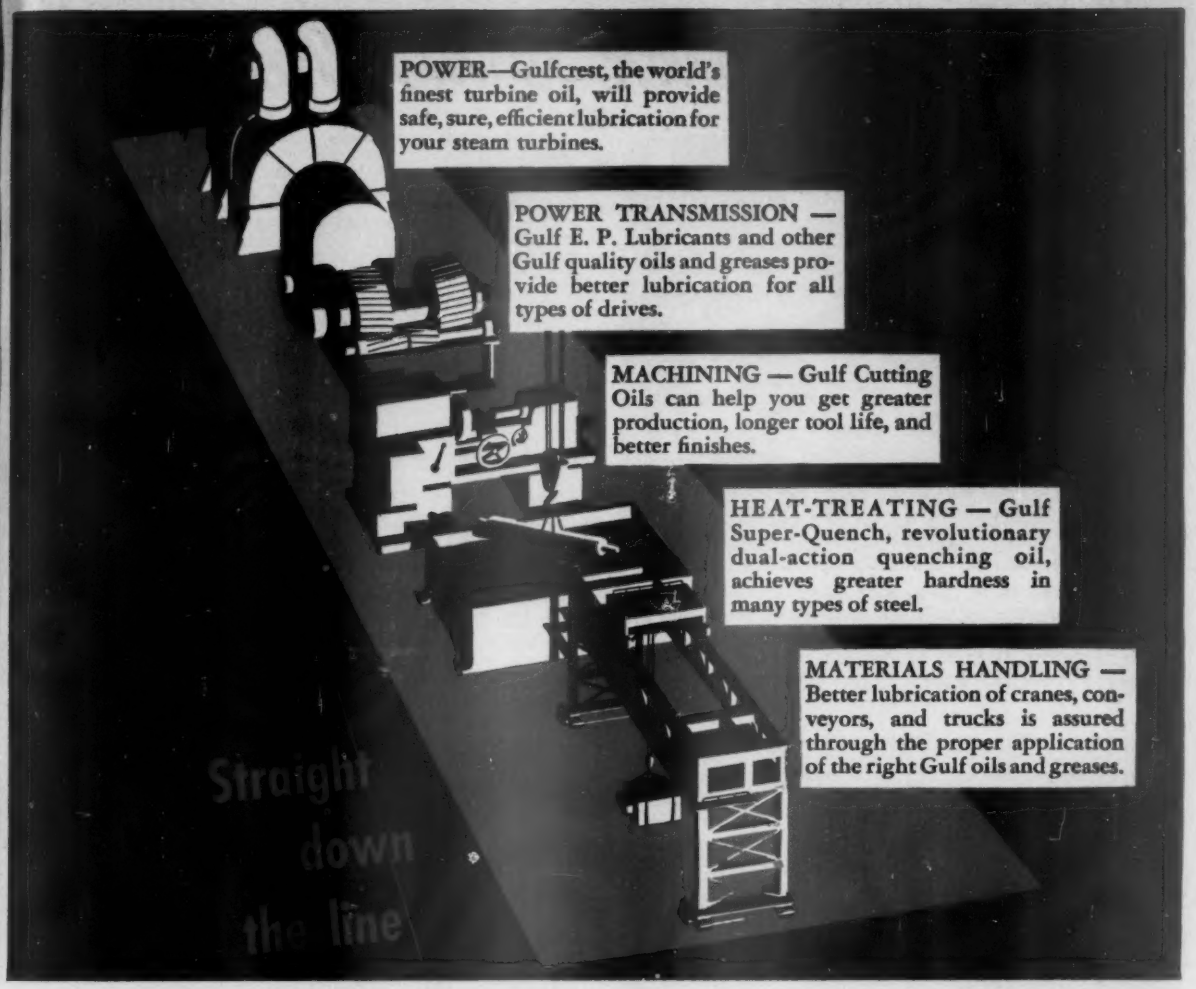
Meat, poultry, and eggs are off from the extreme top, of course, but advances elsewhere more than make up the difference on the average. It isn't safe to predict a major decline until:

(1) Business and purchasing power fall off:

(2) It becomes evident that 1947 crops will be big again.

Between now and next spring, supplies of most foods won't be any larger than they are now. There will be less pork but a little more beef.

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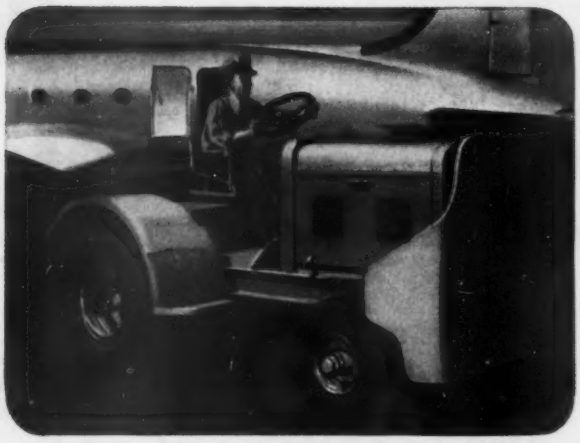
Jumbo's trunk is his life line



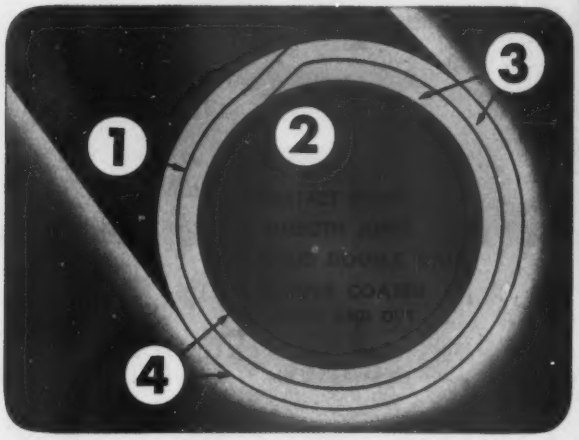
1. STRONG AS HE IS, the elephant would be helpless without his tubular trunk. It carries air to his lungs, conveys food and water to his mouth and serves as a weapon when danger threatens. With it, he can crush an attacking tiger. Literally, the elephant's trunk is his "life line."



2. TRAINED IN ASIA centuries ago, the elephant is widely used as a beast of burden. In lands where mechanical equipment is scarce, his powerful trunk earns his livelihood hoisting and hauling logs and stones. In modern industry, Bundyweld Tubing is equally famed as a "life-line."



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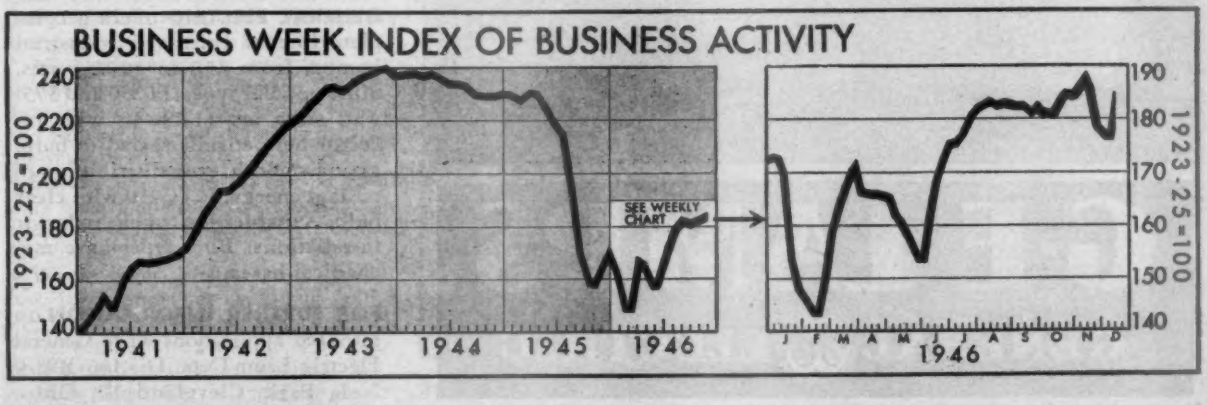
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FIGURES OF THE WEEK

	§ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
THE INDEX (see chart below)	*185.0	†178.4	188.9	171.7	162.2
PRODUCTION					
Steel ingot operations (% of capacity)	83.9	69.8	91.4	83.0	97.3
Production of automobiles and trucks	97,860	†93,907	94,425	16,240	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$15,265	$14,900	$15,332	$11,307	$19,433
Electric power output (million kilowatt-hours)	4,778	4,673	4,700	4,154	3,130
Crude oil (daily average, 1,000 bbls.)	4,717	4,695	4,792	4,515	3,842
Bituminous coal (daily average, 1,000 tons)	373	410	2,117	2,046	1,685
TRADE					
Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars)	87	88	89	78	86
All other carloadings (daily average, 1,000 cars)	34	35	63	52	52
Money in circulation (Wednesday series, millions)	$28,946	$28,906	$28,761	$28,370	$9,613
Department store sales (change from same week of preceding year)	+19%	†+3%	+20%	+10%	+17%
Business failures (Dun & Bradstreet, number)	33	37	28	10	228
PRICES (Average for the week)					
Spot commodity index (Moody's, Dec. 31, 1931=100)	374.0	370.1	374.9	264.8	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)	259.1	258.5	252.7	169.7	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)	315.9	†311.3	310.9	233.4	146.6
Finished steel composite (Steel, ton)	$64.73	$64.45	$64.45	$58.27	$56.73
Scrap steel composite (Iron Age, ton)	$28.17	$25.00	$24.75	$19.17	$19.48
Copper (electrolytic, Connecticut Valley, lb.)	19.500¢	19.500¢	17.693¢	12.000¢	12.022¢
Wheat (Kansas City, bu.)	$2.10	$2.05	$2.10	$1.69	$0.99
‡Sugar (raw, delivered New York, lb.)	5.57¢	5.57¢	5.57¢	3.75¢	3.38¢
Cotton (middling, ten designated markets, lb.)	32.75¢	31.48¢	31.38¢	24.57¢	13.94¢
Wool tops (New York, lb.)	$1.665	$1.640	$1.582	$1.330	$1.281
Rubber (ribbed smoked sheets, New York, lb.)	22.50¢	22.50¢	22.50¢	22.50¢	22.16¢
FINANCE					
90 stocks, price index (Standard & Poor's Corp.)	120.7	119.3	116.4	136.4	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's)	3.17%	3.18%	3.16%	3.10%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's)	2.61%	2.61%	2.59%	2.61%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	1½–1½%	1½–1½%	1½–1½%	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	1%	1%	⅞–1%	¾%	½–¾%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	40,322	39,999	39,501	37,381	23,876
Total loans and investments, reporting member banks	57,641	57,583	57,548	68,034	28,191
Commercial and agricultural loans, reporting member banks	10,287	10,171	10,029	7,128	6,296
Securities loans, reporting member banks	2,468	2,556	2,651	5,962	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks	37,572	37,623	37,626	48,817	14,085
Other securities held, reporting member banks	3,366	3,354	3,401	3,266	3,710
Excess reserves, all member banks (Wednesday series)	930	700	920	1,296	5,290
Total federal reserve credit outstanding (Wednesday series)	24,796	24,585	24,565	24,264	2,265

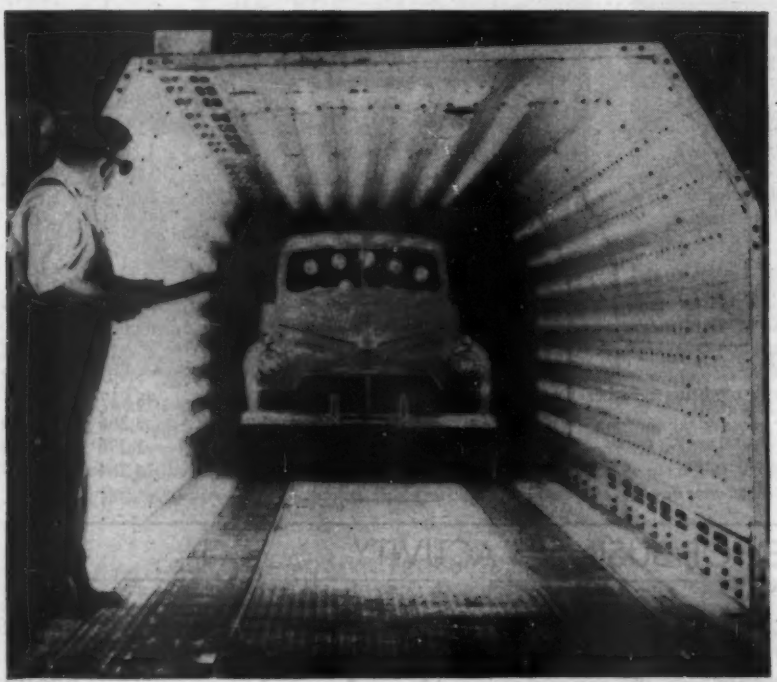
*Preliminary, week ended December 14th. †Revised. ‡Ceiling fixed by government. § Date for "Latest Week" on each series on request.



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GENERAL ELECTRIC

BUSINESS WEEK

NUMBER 903
DECEMBER 21, 1946

Steel Expansion: Real but Slow

Industry reports some new finishing capacity in operation, but building programs are held up by equipment shortage. October sheet and strip output for consumer durables at record high.

Early this year a steel company official told his friends the biggest job he had as a sales manager was keeping away from his customers. At that time, his main consolation was the prospect of increased flat rolled steel output. That would give him relief where the buyer pressure was greatest.

Some of his most important customers were looking hopefully ahead, too. They were itching to get their hands on more hot and cold rolled sheet and strip. It is the stuff they glamorize finally into auto bodies, refrigerator boxes, stoves, bathtubs, and other consumer durables.

• **Inching Up**—Today, the situation is improving—slowly. In broad view, this is the picture:

(1) Steel mills now have greater capacity for making flat rolled products than in 1941, the record prewar year. Actually, after canceling out facilities that have been dismantled, there is a net increase of about 1,000,000 tons.

(2) Shipments of sheet and strip steel during October exceeded those for any previous wartime or peacetime month. If the October production rate were maintained a full year, output would be 16% greater than in 1941.

(3) Some new facilities have come into operation recently. But they are only a tiny fraction of the charted program. In addition to the 1,000,000-ton increase in capacity since 1941, industry plans call for expansion of 2,500,000 tons before July 1, 1947. Now it is doubtful that that timetable will be met. The biggest obstacle is in motors and electrical equipment. Delays in many cases run as much as nine months.

(4) Steel-consuming industries set postwar schedules for themselves which were greater than ever before. Sheet and strip are used so extensively that the pressure for this class of steel has been extremely acute. The loss of 12 million tons of steel production through coal and steel strikes in 1946 accentuated the shortage.

• **Where They Stand**—To determine how the program for expanding finishing capacity stands today, Business Week combed the industry. The company-by-company report follows:

Acme Steel Co. is spending about $2 million for a five-stand cold rolling mill to increase strip capacity by 50,000 tons annually. Construction begins soon after New Year's Day, but machinery is not due for delivery until late 1947.

Allegheny-Ludlum Steel Corp. is building a four-stand, four-high cold reduction mill for silicon and stainless products, with a capacity of about 15,000 tons monthly. Scheduled for last fall, the mill probably will go in during January.

American Rolling Mill Co. has under construction new processing equipment for electrical and stainless sheets and strip at Butler, Pa. It also has one row of soaking pits completed at Middletown, Ohio, and one row under construction. No forecast on increase in production.

Bethlehem Steel Co. is adding capacity of 40,000 tons monthly for sheet and tin mill products with a new 56-inch cold reducing mill at Sparrows Point, Md. Expected operation in early 1947. Also, a 68-inch hot strip mill there, with a capacity of 100,000 tons of bands per month, due for completion next summer. Changes and improvements at Lackawanna, N. Y., are adding 20,000 tons monthly by the end of 1946.

Crucible Steel Co. has new hot and cold sheet mill facilities at Midland, Pa., to be used primarily for stainless and other alloy sheet and strip. All units are expected to be completed late in 1948.

Inland Steel Co. is rebuilding a five-stand tandem mill for flat roll finishing at Indiana Harbor, Ind. It will increase annual capacity on cold rolled sheets by 300,000 tons and hot rolled pickled sheet capacity by 180,000 tons. It should be in full production in 1948, at least nine months later than originally anticipated.

Granite City Steel Co. is installing a cold strip mill of 300,000-ton annual capacity. It may be ready for operation in second half of 1947, at least nine months later than planned.

Jessop Steel Co. has on order a cold strip mill to roll 4,800 tons of stainless steel annually. The company expects the mill to be in operation in March.

Jones & Laughlin Steel Corp. has a four-high, five-stand, high-speed cold reduction mill now building at Aliquippa, Pa. The mill is expected to start about



Massive stands (above) for Weirton Steel's new tandem cold reduction mill at Weirton, W. Va., typify the steel industry's preparations for increasing output.

April, a delay of several months. The company also has announced equipment expenditure to increase sheet capacity at Cleveland.

Kaiser Co., Inc., has under construction a cold rolling mill for light strip. Capacity, 42,000 tons a year. The facility is expected to be in operation late in 1947.

McLouth Steel Co. recently completed an expansion for both stainless and cold rolled strip.

National Steel Corp. started work a year ago on a new mill with 500,000-ton annual capacity of cold rolled sheets at its Great Lakes Steel Corp. plant. This will not be completed until next June. At its Weirton Steel plant, the company is installing a new cold reduction mill with capacity of 40,000 tons a month. It will be ready for operation in late spring.

Republic Steel Corp. expansions include a new 48-inch strip mill made by adding three four-high finishing stands to the present 84-inch reversing plate mill at Youngstown. The addition will more than double the mill's production. About 40% of the output will be strip steel for further processing in Republic's Warren district. At Niles, four new annealing furnaces increased annealing capacity 9,000 tons a month, doubling former capacity. Rebuilding and modernizing of annealing furnaces in the Warren cold strip department added 7,000 tons a month. Silicon steel production was increased at Warren by installation of seven annealing furnaces. Stainless finishing capacity will be double at Massillon when installation of cold mills is completed.

United States Steel Corp. expansion includes a new 54-inch cold reduction mill at the Carnegie-Illinois Gary plant. It probably will not be ready until late next summer. Also part of the Gary program is improvement of an 84-inch reduction mill. Columbia Steel subsidiary at Pittsburg, Calif., is installing a cold reduction mill rated at about 500,000 tons of steel sheet and tinplate annually. This expansion was planned for operation at the end of 1947's second quarter. Tennessee Coal, Iron & Railroad Co. has recently started conversion of its sheet mill to increase annual capacity from 360,000 tons to 500,000 tons.

Youngstown Sheet & Tube Co. has installed new slitting equipment at its Youngstown plant. This will add up to 75,000 tons of cold rolled strip annually.

How to Get Steel

Several companies solve shortage problem by purchasing mills. Detroit syndicate buys Apollo, leases it to consumers.

If you have trouble getting sheet steel, buy yourself a sheet mill. This idea may sound extravagant offhand. Nevertheless, it is being put into practice in these days of hard-to-get steel (BW–Sep.28'46,p71).

• **Supplies Assured**—General Electric last month bought the Mahoning Valley Steel Co. Thus it insured for itself a steady supply of hot rolled sheet.

Borg-Warner Corp. purchased Superior Sheet Steel Co. to provide an added source for steel sheets to be used in making household appliances.

Kaiser-Frazer Corp. acquired the Portsmouth mill from Wheeling Steel Corp. to secure sheets for automobiles.

International Detrola Co. bought Andrews Steel Co. to guarantee a steel supply source.

• **Syndicate Buys Mill**—Recently, the steel trade buzzed with a report that Apollo Steel Co., one of the few surviving hand mills in the nation, was being sold. Here are the facts:

A group of Detroiters, sparked by attorney Irving Grayson, bought the mill. Then they leased it to a steel consumer syndicate headed by A. H. Maremont, vice-president of Maremont Automotive Products, Inc. The lease is for twelve months with renewal option. It protects the syndicate collectively just as the G.E. and Borg-Warner steel deals protect those firms individually.

• **Diversified Consumers**—The steel consumer syndicate is a diversified list of companies scattered from coast to coast. Maremont, president of the group, has his business in Chicago. D. M. Houghton, chairman of Atlas Tack Corp., Fairhaven, Mass., and Frank Gibson, secretary of Gibson Refrigerator Co., Greenville, Mich., are vice-presidents, and Bernard Mitchell of Mitchell Mfg. Co., Chicago, is treasurer. The Pacific Coast is represented by the Western Stove Works of Culver City, Calif.

The cooperating group of manufacturers has already contracted for its 1947 supply of semifinished steel to be processed in the Apollo mill. It will be on the basis of an estimated output of 120,000 tons of sheets. The enterprise entails an investment of $1,500,000 and commitments of $14,000,000.

• **Might Be Scrapped Later**—New operators of Apollo and the other steelmaking properties which changed hands recently have not said what the ultimate fate of the mills will be. The mills may be scrapped when established companies in the steel industry have more than enough capacity to satisfy all demands.

Pressure Is Still Upward on Steel Prices

Steel prices have begun moving upward on a broad front in the past fortnight. The composite quotation on finished steel (page 13) is higher for the first time since the $5-a-ton average increase last spring.

Some of the advances were due to sharply higher prices of other metals used in finishing steel—zinc and copper, for example. In this connection, it is considered likely that this week's sharp boost in scrap steel may result in still further revisions soon.

• **Greatest Impact**—Finished steel increases of most importance to manufacturers generally were those on flat rolled products. New base price on cold rolled sheets is 3.20¢ a lb. plus new extras for variations in gage. Although this base price is lower than the former quotation of 3.275¢, most lighter gages are higher priced because of the revision in extras. Some heavier gages are reduced, but the net effect of the change is upward, since lighter gages are the ones that make up the bulk of the business.

The base price of hot rolled sheets has been increased from 2.425¢ a lb., plus some new extras. Cold rolled strip moved up from 3.05¢ a lb. to 3.20¢.

• **Simplification**—In the case of hot rolled strip, a single base price of 2.50¢ a lb. has been set for all widths. Formerly, strips 6 in. or more wide were quoted at 2.35¢ a lb., narrower widths were 2.45¢. New extras have been established here, too.

Upward adjustments have also been made on such items as tinplate, terneplate, carbon steel bars, concrete reinforcing bars, plates, rails, track accessories, and pig iron. Still others are under review for possible price changes.

• **More Boosts If Wages Rise**—Within the industry there is a general sentiment that higher wage rates in next year's labor contracts (page 82) will result in another across-the-board price increase on all steel products. Note, too, that freight rates are rising and pressing against steel prices (BW–Dec.14'46,p9).

Kaiser-Frazer Seeks Cash

Proposed merger with Graham-Paige seen as move to bolster working capital. Deal may tide auto manufacturer over until it reaches a not too distant break-even point.

Kaiser-Frazer Corp. is moving to bolster its cash position by absorbing the interlocking Graham-Paige Motors Corp.

Naturally enough, the money needed to launch the corporate twins into auto manufacturing has rapidly depleted their funds. Kaiser-Frazer started 13 months ago from scratch. It has seen its stock sale proceeds of about $53,000,000 shrivel to an unofficial estimate of $9,000,000 last August, certainly to less since then. Graham's working capital of about $8,400,000, as estimated last April, also may have dwindled.

• **Search for Capital**—As result, K.-F. has been investigating the advisability of obtaining additional working capital, as well as its ability to do so. In mid-November it brought financial reporters to its Willow Run plant to see for themselves that production was moving steadily ahead, in good volume. But the soft condition of security markets since autumn evidently precluded easy public financing. K.-F. quickly sold 1,700,000 shares at $10 in September, 1945 (BW—Oct.6'45,p76), and another 1,800,000 at $20.25 last January (BW—Feb.2'46, p70).

During the November inspection trip, Joseph W. Frazer, president of both companies, told newsmen that no merger was contemplated. But evidently the union has turned out to be the best way to obtain more working capital. The merger plan calls for K.-F. giving G.-P. 750,000 shares of common stock in return for all Graham automobile assets, $3,000,000, and certain other unspecified assets or cash.

• **Bank of America Loan**—The $3,000,000 which Graham would transfer to Kaiser-Frazer under this deal will be new money, raised, indirectly at least, from a $3,000,000 loan. G.-P. will borrow this sum from Bank of America on a 2½-year note, guaranteed by the Henry J. Kaiser Co. and Joseph W. Frazer personally. Kaiser and Frazer will vote the 750,000 shares for the period of the loan.

This money may be enough to bridge the period before K.-F. swings into the profit column. Its current output of more than 200 cars daily is not far below the pay point.

• **Few Shares Left**—To get the new money, however, K.-F. is disposing of three-fourths of its remaining authorized stock. There are only 1,000,000 treasury shares left, of 5,000,000 provided in the charter. For, besides the 3,500,000 publicly sold, G.-P. and the Kaiser interests each took 250,000 shares at the outset.

The pending deal will raise to about 29% the K.-F. stock holdings of those instrumental in organizing the company. For Kaiser interests bought 120,000 shares out of the two blocks offered the public.

• **Savings Expected**—Inherent but perhaps minor economies are evident in the move. Both the new company and Graham have been jointly operating in Willow Run. They have been prorating expenses and functioning separately in casual respects. Merger will eliminate scattered duplications. For one thing, it will solve a most complicated accounting job in dividing operating costs of the giant former bomber plant.

If Graham stockholders approve the program (no action is required by K.-F. stockholders, since the shares come from authorized stock), the 750,000 shares their company will get are worth around $6,000,000 at current depressed market levels. For this, Graham will pay the $3,000,000 in cash and will be relieved of liability on recently floated 1956 debentures on which liability is now $8,524,000, together with interest payments as they fall due. Graham will transfer to K.-F. its machinery investment in Willow Run.

The size of this investment is not divulged. It was reported earlier that Graham furnished $3,500,000 in tools, dies, and jigs for the joint manufacturing setup. It was also understood that Graham was to assume a share of a $7,500,000 machinery expenditure jointly with Kaiser-Frazer.

The value of the stock equals about $1.20 on each of Graham's outstanding 4,840,081 shares, and relieves Graham of debenture liability of around $1.75 per share.

• **K.-F. to Take Over Frazer**—Graham will retain its farm implement business;

LEST THEY REMEMBER

With bulldozer-equipped tractors officiating (right), remnants of the rubber donations of Salt Lake City's patriotic citizens get a fiery burial. Ticketed as useless, 9,000 tons of scrap—tires, garden hose, door mats, and other household castoffs—were hauled to an out-of-town lot (below). The job, under contract, took a trucking firm 90 days. Flames leveled the pile, then 'dozers covered over another minor chapter of World War II.





it is said to be operating now at a profit of $100,000 per month before taxes.

Kaiser-Frazer, which manufactures the Kaiser, will take over output of the Frazer car, now the property of Graham-Paige. Merchandising will continue through the same distributor and dealer setup the two companies have maintained in the past.

• **The Big Question**—With $3,000,000 of new money in its till, K.-F. can look ahead to a nearby break-even point and a chance to demonstrate that it is in business to stay. The one large question Detroit has in its mind is whether the company can survive when the auto business becomes its fiercely competitive self in normal times. K.-F. will have to prove that its cars are competitively priced. Its automotive rivals steadfastly maintain that this is not true today.

Somewhat higher costs, some analysts believe, might continue as long as the company has to buy so many of its components outside. Willow Run is less integrated than any of its competitors. This situation cannot be changed until K.-F. accumulates money to setup facilities to transfer some of those manufacturing operations to its own shops.

• **New Presses Coming**—There are obvious production bugs still to be ironed out. Trouble is being experienced with sheet metal fits, and die repairs may be needed. A bottleneck exists in stamping facilities, but this will be widened when a battery of 21 new presses goes into service in a month in a new press shop.

An important K.-F. asset is the attitude of its labor force. Employees at Willow Run are working along well, interested in their jobs, producing what may be the nearest thing to a full day's output in the auto plants of that area.

TIDE WATER TIRE DEAL

A 38-year-old name in automobile tires, Federal, has been revitalized by U. S. Rubber Co. It will now be used as the brand name for casings and tubes to be distributed nationally by Tide Water Associated Oil Co.

The Federal name has sunk to comparative oblivion in recent years. U. S. Rubber acquired it along with Federal Rubber Co.'s parent, Fisk Rubber Corp., in 1939. Practically its only use recently has been for a line of tires handled by Billips Petroleum Co. in certain sections of the South.

The new arrangement with Tide Water will give that company exclusive rights wherever it has outlets. Thus Tide Water will now have a uniform brand name nationally, where formerly various lines had been handled. Some 10,000 distributors, dealers, and service stations handling Tide Water products in the Atlantic, Mid-Continent, and Pacific areas will market the Federal line.

Radiophone Gains

Mobile communication units build a postwar industry. Cab, telephone, airline companies are among biggest users.

Already a multimillion-dollar business, the mobile radiotelephone industry is rapidly gaining stride. With more equipment available and license restrictions eased, it promises to emerge as one of the moderately large "new" postwar industries.

Taxicab companies alone this year have purchased more than $4,000,000 of radiophone equipment for two-way conversation between cabs and dispatching offices. Applications to the Federal Communications Commission for authority to install such units have averaged more than $100,000 a week for the past month. One company, Yellow Cab of Alameda County, Calif., has contracted for more than $1,000,000 in radiotelephone sets and several transmitting stations. Taxicab companies find that radio service cuts out much wasted cruising time.

• **Phone Networks**—Telephone companies, particularly the Bell System, are establishing their own highway and city radiotelephone nets. These are connected to the general telephone system so that calls from vehicles can be routed to offices or homes.

Telephone companies' applications up to last week had reached 3,453 mobile units, valued at about $2,760,000, and 57 land transmitters whose cost may reach $200,000.

• **Prospects**—The industry and FCC staff members predict that by the end of 1947: (1) The present 7,500 radiotelephone units applied for by taxicab companies will more than double; (2) city and highway installations (mostly for buses, trucks, and service vehicles) will go up to 11,000 units. Municipal fire station units will reach 6,000. They probably will double that figure in 1948.

Police radiotelephone units totaled 24,000 this year. The FCC estimates these will increase by 5,000 in each of the next two years.

• **Air and Rail**—Radiotelephone is already established in the aviation field. Additional use will be made of the equipment with the setting up of coastal relay stations through which land-line telephone calls can be passed to over-ocean aircraft. The number of radiotelephone-equipped aircraft is expected to jump from this year's 5,200 to 9,600 in 1947 and to 14,300 in 1948. Stations now number 1,000.

Railroads have been carrying on extensive experimentation with radiotelephone, principally for yard and terminal operations. The service is reported to save an average of 4% in switching time for freight cars, besides providing additional safety.

• **Manufacturers**—The industry is so new, and in such a state of flux, that a company little known today may be a leader tomorrow. However, companies prominent in production or developmental work include, among others: Aireon Mfg. Co., Kansas City, Mo.; Radio Division of Bendix Aviation Corp., Towson, Md.; Collins Radio Co., Cedar Rapids, Iowa; Communication Equipment & Engineering Co., Chicago; Farnsworth Television & Radio Corp., Ft. Wayne, Ind.; Galvin Mfg. Co. and its subsidiary, Motorola, Chicago; Hallicrafters Co., Chicago; Lear, Inc., Grand Rapids, Mich.; Fred M. Link Radio Co., New York; Maguire Industries, Inc., Bridgeport, Conn.; Radio Corp. of America, New York; Raytheon Mfg. Co. and its Belmont Radio Corp. division, Chicago; and Westinghouse Electric Corp., Baltimore, Md.

The Bell System, of course, is supplied by its own manufacturing subsidiary, Western Electric Co.



END OF THE LINE?

As UNRRA gasps its last, Caterpillar track-type tractors—being ticketed (above) for Russia—are typical of the goods still flowing through the relief pipeline. The agency, which distributed several billions in goods, folds on Dec. 31; how the pipeline will operate after that is conjectural. Caterpillar reports that an industry protest to the CPA resulted in a 50% cut in UNRRA tractor orders. Commerce Dept. records reveal that during the first nine months of 1946, 5,914 track-type tractors were exported, 296 (or 5%) by UNRRA.



Escorted by Acting Secretary of State Acheson, top Saudi Arabian officials (left to right)—Sheikh Ali A Alireza, H. R. H. Amir Faisal, and Sheikh Asad Al-Faqih—paid their respects at the White House last week. Their good humor was not only for the cameras; further development of Saudi Arabia's oil fields under the proposed commercial setup promises to yield fatter royalties.

Global Oil Pattern Develops

Proposal of four American companies for the joint development of Saudi Arabia would give U. S. better position in international competition. Marketing plan awaits O. K.

Two pending oil deals may alter the entire complexion of the international oil picture. Four of the largest American petroleum operators in foreign fields are involved.

The proposals would:

• Make Standard Oil Co. (New Jersey) and Socony-Vacuum Oil Co. partners of the Texas Co. and Standard Oil Co. of California in the Arabian American Oil Co. (Arabian American is now owned jointly by Texaco and Standard of California. It holds concessions to 278,272,000 acres in Saudi Arabia. This is possibly the richest oil area in the world.)

• Extend to Europe and North Africa the joint oil marketing arrangement between Texaco and Standard of California. (Texaco would sell its subsidiaries in those areas to California-Texas Oil Co., Ltd. This company has a complete marketing organization in the Far East.)

• **Negotiations Slated**—The Arabian American deal has been initialed by parties concerned. Negotiations looking toward a final agreement are slated to start in mid-January.

It reportedly would give Jersey Standard a two-ninths interest, Socony a one-ninth interest, with the two present co-owners each retaining one-third interest.

Conceivably this could develop into one of the largest petroleum deals for all time to come. For the oil concession, on the basis of limited exploration, is conceded to involve upwards of 5 billion bbl. of reserves (estimates run up to 20 billion bbl.). The present owners have spent $150,000,000 or more in early development.

• **Long-Term Trend**—Implications of the deal are manifold:

(1) It would step up the long-term trend toward joint ownership of foreign oil operations. American interests would be in a better position to meet the challenge of British and Dutch international oil operators.

(2) It could strengthen the diplomatic position of this country in the tinder-box Middle East. Diplomatic strength often goes hand in hand with commercial strength.

(3) It would give Arabian American an outlet for additional crude production. This would simplify the problem of financing exploration, construction of refineries and of attendant facilities.

(4) It would provide Jersey Standard and Socony with a source of much-needed crude. Each has extensive refining and marketing operations in Europe. Previously, they obtained much of their oil for Europe from Romania and the Netherlands East Indies. It may be some time before these areas are open again.

(5) Recently, much of the oil for Europe has originated in Venezuela. A shift to the Eastern Hemisphere source of crude would lessen the drain on petroleum in the Western Hemisphere. The State Dept. presumably would regard this with favor.

(6) It might help relieve the fears of independent oil producers here that Middle Eastern oil is going to flood the U. S. market.

(7) It could speed construction of the projected 1,000-mi. trans-Arabian pipeline from the Persian Gulf to the Mediterranean. This would bring Saudi Arabian oil to Europe's back door.

• **Stronger Marketing**—The deal to bring Standard of California into Texaco's European and North African marketing setup would strengthen the extensive Eastern Hemisphere operations which these two jointly control.

California-Texas Oil Co. is the medium through which their Far Eastern operations are conducted. It is a subsidiary of Bahrein Petroleum Co., Ltd., owned 50-50 by the pair. Bahrein also holds the oil concession on Bahrein Island in the Persian Gulf, netted about $10,500,000 in 1945. All profits were applied to expansion of operations.

MOSS INDUSTRY THRIVING

Processing of sea moss for use in the food industry is rapidly growing beyond the infant stage. Kraft Foods Co. of Chicago, which uses about a million pounds of the moss annually, recently announced purchase of a Rockport (Me.) site for a new treating plant.

End product of the bleached and treated moss is carrageenin, a gum extract used as a stabilizer or thickening agent in cheese, ice cream, chocolate sirups, and other foods (BW—Sep.18 '43,p64). Varying grades and chemical derivatives of the moss are also used in such products as toothpastes, ointments, cosmetics, and paints.

One of many sea moss businesses along the country's northeastern coast, Marine Growths, Inc., of Small Point, Me., this year shipped nearly 3,000,000 lb. to plants in Brooklyn, Chicago, and San Francisco for final processing. The company can handle about 180,000 lb. of wet moss daily.

With a steadily widening market in prospect for its moss industry, the State of Maine is encouraging more workers to enter the business. A husky gatherer can harvest more than half a ton a day, which at this year's price would bring him $25.

New Realty Peak?

Nationwide poll of brokers predicts further price rise in residential property, but some limit it to new construction.

A nationwide poll of 2,344 real estate brokers has just been completed by Previews, Inc., a well-known national realty sales organization. It covered construction costs, sales prices, and building trends. Brokers also were asked their opinion of 1946 business.

• **Good or Better**—It was a boom year, according to 36%. It was just a "good" year for 60%. Only poor, some 3% reported.

Other opinions reflected in the poll:

• Real estate prices will climb even higher, reaching a peak in six to twelve months. Some brokers predicted the increase only for new construction. (Prices on older houses already have leveled off, according to other surveys [BW—Oct.19'46,p15]. And prices in the mansion and estate bracket have slipped considerably.)

• Cost of building a six-room house has increased 50% since 1939, the majority asserted. A sizable minority contended costs were up 75%. Among California dealers, it was a toss-up between a 50% and a 100% rise.

• Land values have increased, but with strong sectional trends. New England opinion was split evenly between a 25%-50% increase and no increase at all. West Coast prices were up from 25% to 300%, according to 93% of the dealers. Southern, eastern central, and midwestern areas indicated 25%-50% increases.

• The average buyer wants to spend $7,000 to $8,000 for a house, $10,000 to $12,500 for a farm, $10,000 to $50,000 for a ranch. Second choice price for houses fell in the $10,000 to $12,500 bracket.

• Residential properties lead in number of sales. Farm and commercial properties run a poor second. Investment acreage is in surprising demand; many subdividers and builders are preparing the land now for construction later.

• Next to more houses, most brokers considered commercial buildings and apartment houses the greatest construction needs. Industrial building was next, followed by scattered votes for hotels, schools, and warehouses. One vote was cast for more churches.

• Opinions were two-to-one against prefabricated houses becoming a major factor in relieving the housing shortage. Some 55% of the dealers stated there were no prefabs in their area, and 42% reported only a few. Multiple small house units were equally scarce.



Wartime self-service laundries were strictly utilitarian. Now a new order is being born as the units gain in popularity. In the newest ones—some with smoking rooms and nurseries—ladies can even have shampoos and manicures.

Bendix Sued

Justice Dept. charges that appliance maker and distributor exercise illegal restraints on automatic washer rentals.

A variation of the laundry business that flourished during the war was the laundry "store," where housewives could do their own washing in automatic machines rented on the premises. The service proved a boon to women who could not buy new washers, obtain commercial laundry service, or hire domestic help (BW—Aug.26'45,p26).

Since it also proved very profitable to operators, many would-be proprietors, including war veterans, were attracted to the business. Practically their only source of equipment was Bendix Home Appliances and Telecoin Corp., its sole distributor of machines for rental use. The only other prewar manufacturer of automatic washers was Westinghouse Electric Corp., which only recently has sold machines for rental (BW—Oct.13'45,p93).

• **Three Charges**—Now the Justice Dept. has decided that the distribution practices of Bendix and Telecoin constitute an illegal monopoly. In a suit brought a fortnight ago in a New York federal district court, the department charged that:

(1) The rental system unduly restricts the right to resell and use Bendix machines.

(2) The system imposes unreasonable conditions, restrictions, and charges on persons engaged in renting machines to the public.

(3) Bendix's distribution of automatic washers to the public also is highly restrictive and illegal.

• **Company Answer**—Before filing a formal reply, Bendix's president, Judson S. Sayre, asserted that the company's rental operation with Telecoin had been incorrectly described. Its distribution for home use, he said, was in accordance with state fair trade laws. Sayre added that "to the extent that [Bendix counsel] may find any feature of our distribution system in conflict with the anti-trust laws, adequate and prompt changes will be made."

DESERT YIELDS TANNIN

Canaigre, a desert plant rich in vegetable tannin, may ultimately replenish the U. S. leather industry's failing supplies of tanning materials. Dept. of Agriculture research experts have found a way to process the plant at the point of harvest and are now supervising experimental acreage in southwestern New Mexico to develop cultivation methods.

Roots of the canaigre plant, a member of the dock family, have a tannin content of about 25%. Formerly, the presence of starches and sugar in the roots caused fermentation and made processing impracticable. The new method separates the starches and sugar from the tannin and transforms them into a glucose that may also be used in the leather industry.

Glycerin Venture

Shell's decision to make synthetic product at new Texas plant is balm to users. Short supply triples price.

When OPA finally was killed off, few commodities advanced in price faster or farther than glycerin.

From a ceiling of 18.3¢ a lb., chemically pure glycerin spiraled to 55¢ and more. Manufacturers requiring it for use in everything from synthetic resins and embalming fluids to tobacco products and dentifrices fought for the short supply.

The time was ripe for Shell Chemical Corp. to take a step long contemplated. This month Shell announced it was spending $7,000,000 to build a synthetic glycerin plant at Houston. This is in addition to a $25,000,000 development at the same location for producing a wide variety of petroleum chemicals.

• **For Stability**—Shell hopes to have the new plant completed early in 1948. What its output will be is undisclosed. But Shell and the glycerin users who already have made solid commitments for that output believe it will tend to ease shortages and iron out price fluctuations.

Glycerin has always been a bad actor pricewise. In 1937, for example, chemically pure glycerin went as high as 29¢ a lb., as low as 16¢.

Shell hopes also that manufacturers will be encouraged to develop new products using glycerin.

• **Shell's Process**—The process to be used in making synthetic glycerin was developed to the pilot-plant stage before the war by Shell Development Co. (BW—Dec.7'40,p45). It involves reaction of propylene gas, derived from petroleum, with chlorine to produce allyl chloride; treatment with caustic soda to form allyl alcohol; and conversion of the allyl alcohol to glycerin.

Shell holds patents on the propylene process, and has no thought of licensing other producers. But patents are not the sole deterrent to newcomers. The process undoubtedly would be prohibitively expensive to anyone who was not already producing propylene for other purposes.

• **Never Enough**—Natural glycerin is chiefly a byproduct of soap manufacture. Some 85% of domestic output comes from this source. The rest comes from hydrolysis or splitting of fats and oils, and from fermentation of sugar. During the war crude glycerin production ranged from 172,000,000 lb. to a record 200,000,000 lb. a year.

Consumption, however, outstripped domestic production even in prewar years. Prior to 1940 imports averaged 14,000,000 lb. yearly. Thereafter, they slumped sharply, and we received none at all from Europe, which in 1939 had accounted for 20% of our imports. Peak wartime imports were 10,000,000 lb. in 1943. They came exclusively from Canada, Cuba, Argentina, and Uruguay.

• **Threat of Less**—Glycerin users have cause for concern over the growth of synthetic detergents as competitors for soap (Apr.27'46,p42). Reduced soap manufacture means less natural glycerin. Hence users' interest in Shell's program.

SURVEY OF SUBURBS

Everybody knows that people are leaving cities for the suburbs. The National Assn. of Real Estate Boards wants to know why. Its aim is better planning of developments, home building, etc.

The association has put the matter up to the Census Bureau. Receptive to the idea, the bureau has arranged a meeting next month to work out the details of a survey. Indications are that a special canvass will be sought. It would cover a major sampling of suburbia ringing the 34 cities for which the Bureau of Labor Statistics reports cost-of-living data. Questions will be variations of "Why did you leave the city to live here?"

The plan is to make the project a "quickie" so that findings can be published before the end of 1947. The biggest hurdle ahead will be to induce Congress to O.K. perhaps as much as $2,000,000 for the job.

Inventory Solace

Office of Temporary Controls decries fears that stocks are too high: says they would rise 47% more without danger.

Businessmen who are jittery over the rise in inventories can get a sedative from the Office of Temporary Controls. After poking into the inventory situation, OTC has come up with the conclusion that stocks are not excessive and still far below a "normal" relation to sales.

• **Better Than 1939**—OTC holds that it is foolish to talk about excess stocks while goods continue scarce at the retail level. Comparisons with 1939 show that:

(1) While physical production has jumped 80% in the last six years, manufacturers' physical stocks have gone up only 15%. At retail, physical sales volume has zoomed 60% while stocks have increased only 10%.

(2) Imbalanced inventories in some lines, combined with greater over-all industrial production, account for the slight rise in manufacturers' stocks. In terms of finished goods alone, however, producers inventories are still 15% below 1939.

• **Room for Expansion**—As for the future, OTC estimates that if the Federal Reserve Board Index of industrial production stays at 180, inventories—manufacturers', wholesale, and retail—could go to $50,000,000,000 without too





MOUNTAIN BUSINESS: PROFITS FROM ALLERGIES

From the luxuriant forests and fields of the Great Smoky Mountain and Blue Ridge areas, R. T. Greer (right) has built a thriving industry. He produces crude drugs from aromatic bales of roots, herbs, leaves, and bark (left); mountain families gather pollen which he sells to pharmaceutical houses; they turn it into antigen for hay fever and asthma sufferers. Greer, who claims to be the world's first commercial pollen collector, reports that in a 3-week period he shipped $42,000 worth of ragweed pollen from his Lenoir (N. C.) plant.

much danger. That would be an increase of 47% over the record $34,000,000,000 of last October.

OTC figures that business will have little trouble in footing the bill for such an expansion. At midyear, the Securities & Exchange Commission estimates, the net working capital of nonfinancial corporations was $54,000,000,000. Liquid assets of all unincorporated business are judged by the Federal Reserve Board to be about $27,200,000,000. The present level of profits, and easy bank credit, also will help.

• **Slump Wouldn't Hurt Much**—But what would happen if a $50,000,000,000 inventory position were subjected to the shock of a 20% drop in wholesale price level? OTC again has a pretty optimistic answer. The lag in retail prices would push some of the loss onto the consumer; income taxes would absorb some more.

Business itself might be stuck for around $5,000,000,000. Present resources being what they are, such a contraction would be fatal to only a few enterprises, thinks OTC.

• **On the Other Hand**—The position of the Dept. of Commerce on inventories is somewhat more bearish. Commerce statisticians are concerned about what will happen when the distributive pipeline has been filled. Unless over-all demand rises, prices will have to fall, because all production will be reflected immediately at the retail level. It seems likely that most of this contraction in the near future will be felt in the soft-goods lines.

Businessman Starts Yacht-Brokerage Service

Perhaps it was because of his devout love of yachting; perhaps it was because the Tuscarora Indians named him Chief Ra-He-We-Da (He Sails On); perhaps he had tired of the lumber business in which he had succeeded handsomely. Regardless of the reason, H. Morton Jones, 58-year-old former president of the R. T. Jones Lumber Co. in North Tonawanda (near Buffalo), N. Y., came back from his second war and started a new business.

He set up what he believes is the world's only brokerage service exclusively for masted vessels. Headquarters are in Miami, with branch offices in New York, Philadelphia, Boston, Norfolk, Va., and Buffalo.

• **Prospects Are Good**—He has lined up more than $2 million worth of sailing vessels and the firm receives an average of 20 inquiries daily from prospective purchasers all over the world. His list of masted vessels whose owners want to dispose of them includes such items as the three-masted schooner Guinevere ($150,000), now carrying relief food to Greece; the City of New York, which was in the 1930 Byrd Antarctic Expedition; the Bicho Malo II, winner of this year's St. Petersburg-Havana race.

"Boats are like birds; they fly around," said Jones. "Our job is to keep track of them and provide a man with a boat he wants and a boat he can sail. We're in contact with markets all over the world and we've got vessels everywhere."

If the firm cannot find a boat to satisfy a prospective buyer, the boat wanted is designed and built by George H. Stadel Jr., a Connecticut naval architect and associate of the firm.

• **Broad Background**—After graduating from Cornell University in 1911, Jones went into law in Buffalo, then into his father's lumber business. He became one of the best known lumber men in the United States and represented the industry at congressional tariff hearings. A man of many interests, Jones served as Tonawanda police commissioner for a few years and made one entry (unsuccessful) into politics.

During World War I, Jones was a major and had charge of personnel in aircraft production, also representing the aviation service in the General War College. In World War II, he served as a lieutenant colonel.



H. Morton Jones

Lake Tonnage Off

Coal and ore shipments fall a little below last spring's goals as season ends, but no shortages are expected.

Both coal and ore shippers failed to reach their 1946 goals during the Great Lakes shipping season (now ended). One reason was that they didn't hit full stride until June. Other factors were last spring's coal strike and the minor labor disturbance in midsummer among part of the lake fleet crew.

• **Ore Tonnage**—Shippers had expected to move 60,000,000 to 62,000,000 gross tons of ore to down-lake ports from the upper lakes. But the actual total delivered was 59,356,716 tons. Another 1,500,000 tons of ore went direct to mills and furnaces, mostly in the Duluth area, by rail.

The total movement of ore was 21.6% below the 75,714,750 tons brought down last year, and more than 32,000,000 tons short of 1942's record-breaking shipment of 92,076,781 tons. But it will provide ample stock for the furnaces during the winter and leave a two-month reserve on hand Apr. 1, even at the present high rate of ore consumption. (During October 6,625,145 tons of ore were fed into the furnaces. This was nearly 2,000,000 tons more than the amount used during October, 1945.)

• **Coal Setback**—Coal shippers had predicted a minimum of 50,000,000 (net) tons of coal would move to the upper lakes during the 1946 season. They were forced to stop a half-million tons shy of that mark. But with the end of the miners' strike, shipment of coal by lake carrier was expected to continue between the rail head at Toledo and the Detroit area until well along in the winter. Last year this Toledo-Detroit traffic continued practically all winter.

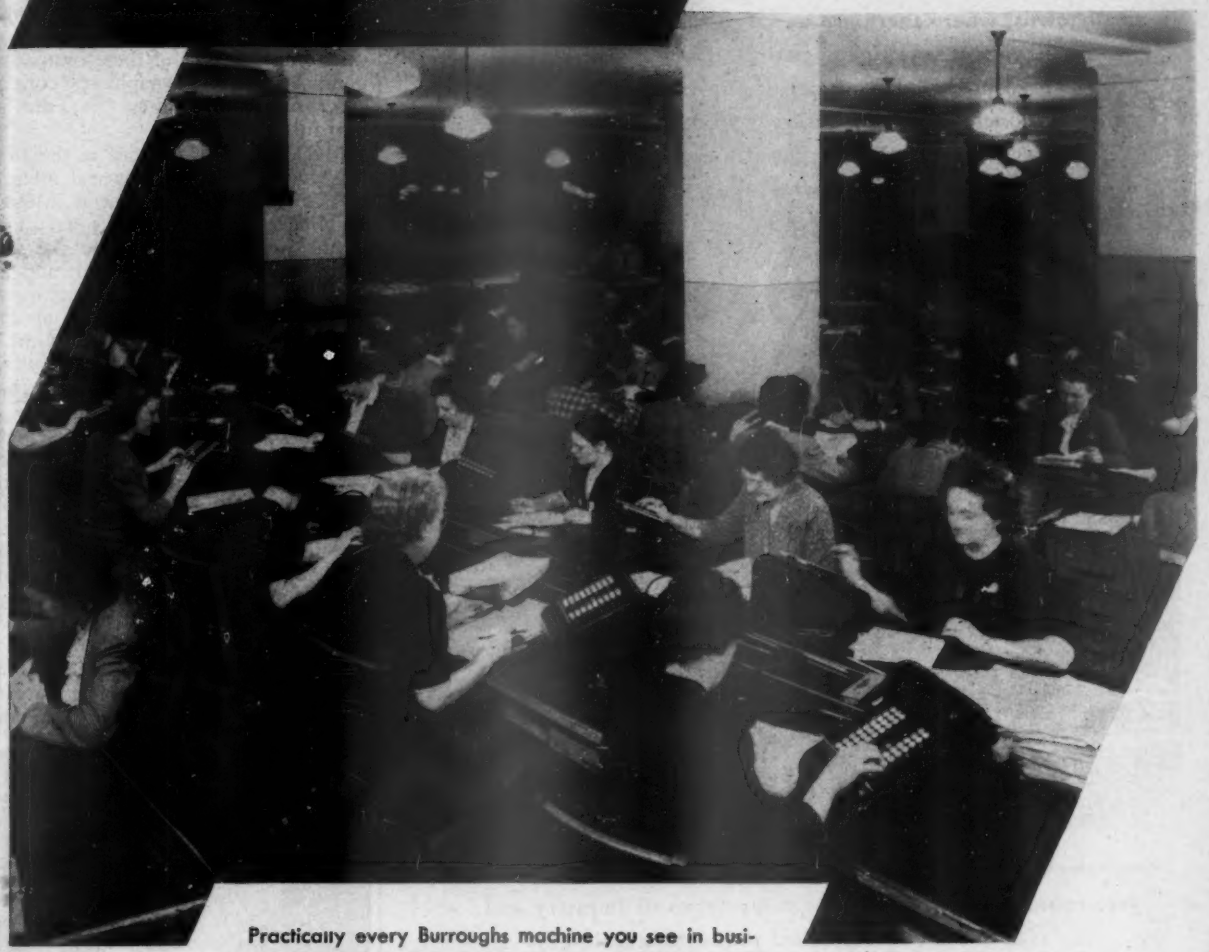
Coal shipments would have run well over the 50,000,000-ton mark this year (would have exceeded last year's shipments of 50,192,189 tons) except for the delay last spring and the partial embargo imposed at lake ports because of the recent coal strike.

• **Final Report**—Through Dec. 1 the 1946 coal dumpings at lake docks (Toledo, Sandusky, Huron, Lorain, Cleveland, Ashtabula, and Conneaut) were 49,296,831 net tons. An additional 80,000 tons have been dumped into carriers since Dec. 1.

Coal shipments to the head of the lakes region this year amounted to slightly more than 32,000,000 net tons as compared to 31,500,000 tons in 1945.

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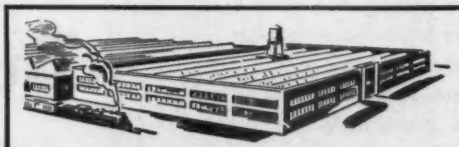


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Ford Lure

Stock transfer may explain auto officials' trek to River Rouge, Detroit thinks. General Motors is heaviest loser.

The story is going around Detroit that Ford is picking up so many officials from other motor companies that when one executive of these companies meets another he paraphrases current advertising and inquires, "Is Ford in your future?"

Management in and out of the auto industry is noting with special interest the shift from the General Motors Building to the Ford works ten miles to the west. It adds this to the fact that many executives in G.M. and its divisions have been drifting out of the company since the beginning of the war. And it wonders whether G.M.'s carefully developed tiers of organization may not have been importantly affected by these moves.

• **G.M. Exodus**—Some of these General Motors alumni, according to motor men, say so many others ranked ahead of them that their avenues of promotion were blocked for years to come. This explanation is applied to the moves of G.M. subexecutives—project engineers, smaller department heads, and other potential top-flight talent—to executive posts in smaller companies.

Even in the top ranks, General Motors has been notably changed since it stopped making cars when the war



FOR GOOD BEHAVIOR

Los Angeles, no stranger to glamor, recently dressed up its drive for safe, courteous motoring—with orchids. Under a plan of the city's Advertising Club, drivers and pedestrians who showed good road manners were stopped on the streets. Stoppers weren't traffic cops with tickets but smiling members of the Traffic Safety Committee, proffering corsages.



Anti-freeze from Christmas Trees

This arrangement of pipes and valves is known in the oil and gas industry as a "Christmas tree." The "Christmas tree" is at the head of the well and controls the flow of oil and gas as it comes out of the ground.

There's a close connection between "Christmas trees" and the Nor'way* Anti-Freeze that again will keep countless automobile radiators from freezing this winter. For Nor'way is produced from methanol which Commercial Solvents makes by processing natural gas.

You can give your car a Christmas present straight from the "Christmas tree" by protecting it with Nor'way or one of CSC's other anti-freezes.

CSC anti-freezes also include PEAK* for permanent, all-winter protection; and Ajax*, the reliable anti-freeze with evaporation retardant.



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* Reg. U. S. Pat. Off.

started. Its general sales manager, R. H. Grant, resigned a few years ago. So did Chevrolet's sales manager, W. E. Holler, whose dynamic personality had much to do with the great sales records that were run up by that producer during the thirties.

In engineering, the most conspicuous loss was H. T. Youngren, now engineering vice-president at Ford. He has since recruited Cadillac's former research engineering chief, Olds' chassis engineer and its director of engine research, Buick's engine design and development chief, and others.

• **Ford Gains**—Ford has drawn numerous other G.M. luminaries into its ranks. The latest of these was Frank A. Pierce, who left a vice-presidency to head Ford's revamped tractor operations (BW—Dec. 7'46,p18).

Before that, Ernest Breech had left Bendix to become executive vice-president at Ford (BW—May25'46,p36). As president of Bendix, in which General Motors has an important stock interest, Breech was considered a "G.M. man."

Two former Fisher Division people also have gone to Ford. They are D. S. Harder, general factory manager, and Lewis D. Crusoe, who was top man in the division's cost accounting department. Crusoe's brother, Claude A., formerly purchasing agent for Fisher, has joined Willys-Overland in the same capacity.

• **Speculation**—The lure that Ford has held out to the General Motors officials, and others, is a choice bit of speculation in Detroit. Many of the men now at Ford were in such high tax brackets that salary increases alone are not considered to have been sufficient to draft them away.

Some believed they had the answer to the riddle in the Pierce appointment. He went to work, not for Ford, but for a subsidiary company, Dearborn Motors Corp.

The opinion was put forth that perhaps Pierce was given stock in Dearborn Motors Corp. If so, he could sight the ultimate possibility of netting a long-term profit on the association and one that would be taxable at far lower rates than ordinary income in the high surtax brackets.

• **Opportunity**—The thesis is that others who have lately gone to Ford—like Breech, who held a $150,000 job as the president of Bendix—have also been given stock in subsidiary companies, of the sort that attach themselves to all large corporations and usually lie dormant.

Such stock transfers would not jeopardize Ford family control. But by shunting operations through the subsidiaries, Ford might create the opportunity for long-term profit gains for stockholders.



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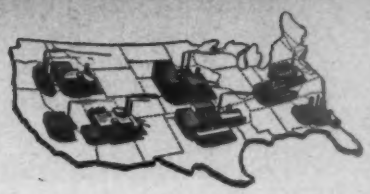
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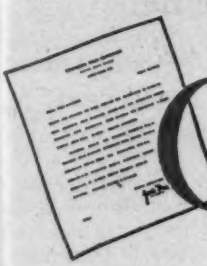
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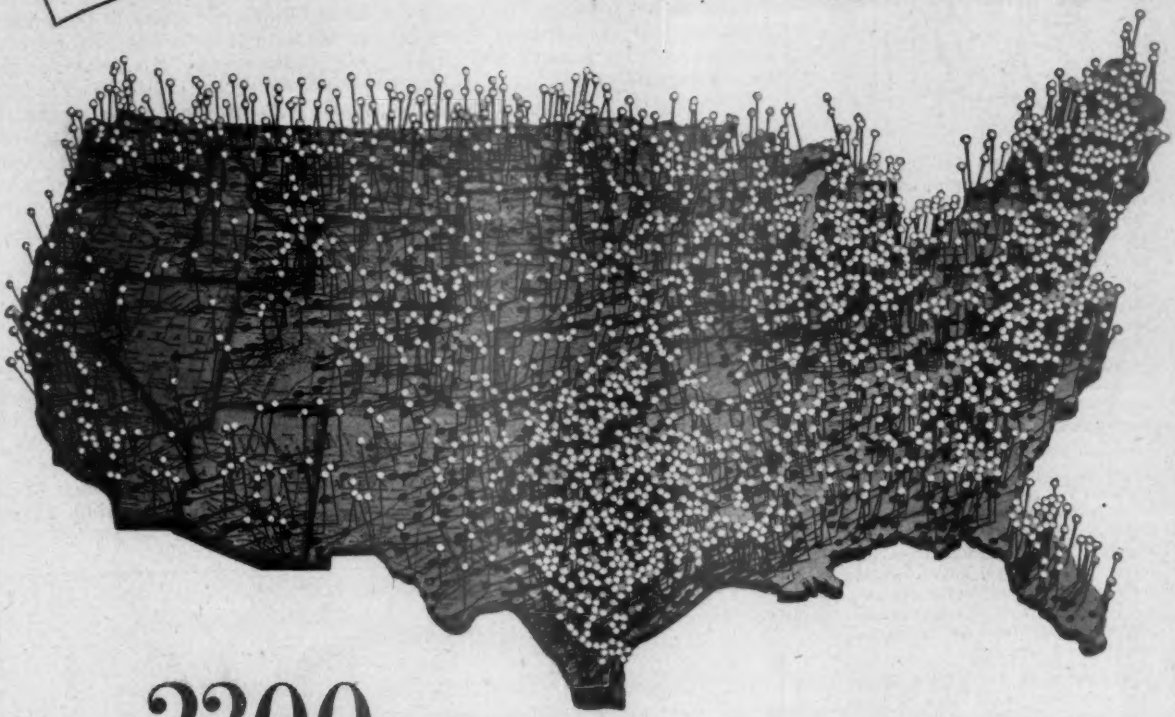
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TAXES

Guide to Corporate Relief

Treasury reviews major proposals for reducing present inequalities in levies on business income. Plan giving credit for dividends paid might meet fewest objections.

When Congress eventually buckles down to the job of revising the much-criticized corporate income tax, one of its main starting points will be the elaborate study that has just been issued by the Treasury's tax research staff (BW—Dec.14'46,p20).

Corporate taxes probably won't get a legislative overhaul for another year or so, but the Treasury has its reasons for releasing a scholarly study of the subject now. By stating its objections, it can kill off a variety of wild schemes before they bob up in congressional committees. And by reviewing the general problem, it can give tax planners both in and out of Congress an idea of the hurdles they will have to clear.

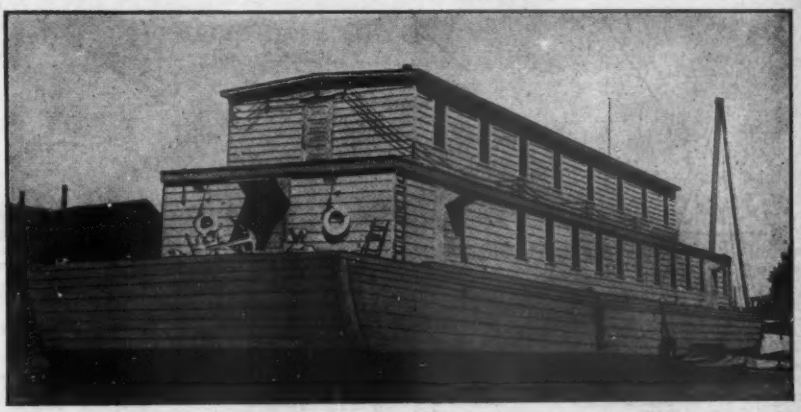
• **Tall Obstacle**—The Treasury carefully avoids taking a stand for or against any of the schemes it analyses. But the report makes it plain that corporate tax revision won't be something that can be hustled through by general agreement, with congratulations all around.

For one thing, no one knows yet just who pays the corporate tax. In some cases, all or part of it may be bucked on to the consumer in the form of higher prices, or back to the workers in the form of lower wages. Some of it may be shoved onto bondholders in the course of a general reduction in security yields accompanying a rise in the tax rate.

This question of incidence is important, because you can't say much about a tax until you know who pays it. Until the problem is cleared up, all discussion of corporate taxes will rest partly on guesswork.

• **Double Taxation**—Most tax planners assume, however, that the tax can't be shifted and that corporate income is reduced by the full amount of the tax. Hence, the big problem, as they see it, is to eliminate or reduce the double tax load that dividend income has to bear.

Under the present system, a corporation pays a tax of 38% on each $1 of net income. If the remaining 62¢ is declared to the stockholder as divi-



HOUSEBOAT FOR PLAIN LIVING

Men in search of shelter have tried most every kind of accommodation—aground, on wheels, or afloat. The haven offered by Charles Golfine, owner of Philadelphia's Alden Theater, is a $100,000, 125-ft. barge (above). Golfine bought the craft at a bankruptcy sale of the Henry J. Kunzig Co., which used it to house its workmen during the war. It has 27 staterooms—each with an upper and a lower berth—a recreation room, galleys, dining salon, showers, heat. The new owner would rent rooms to all men or to all women. So far, the city is still mulling over Golfine's offer. With waterfront space also tight, the big problem is where to dock the barge.

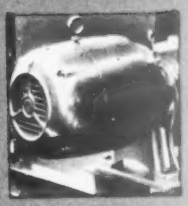
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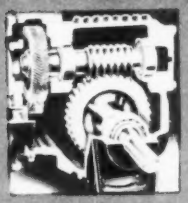
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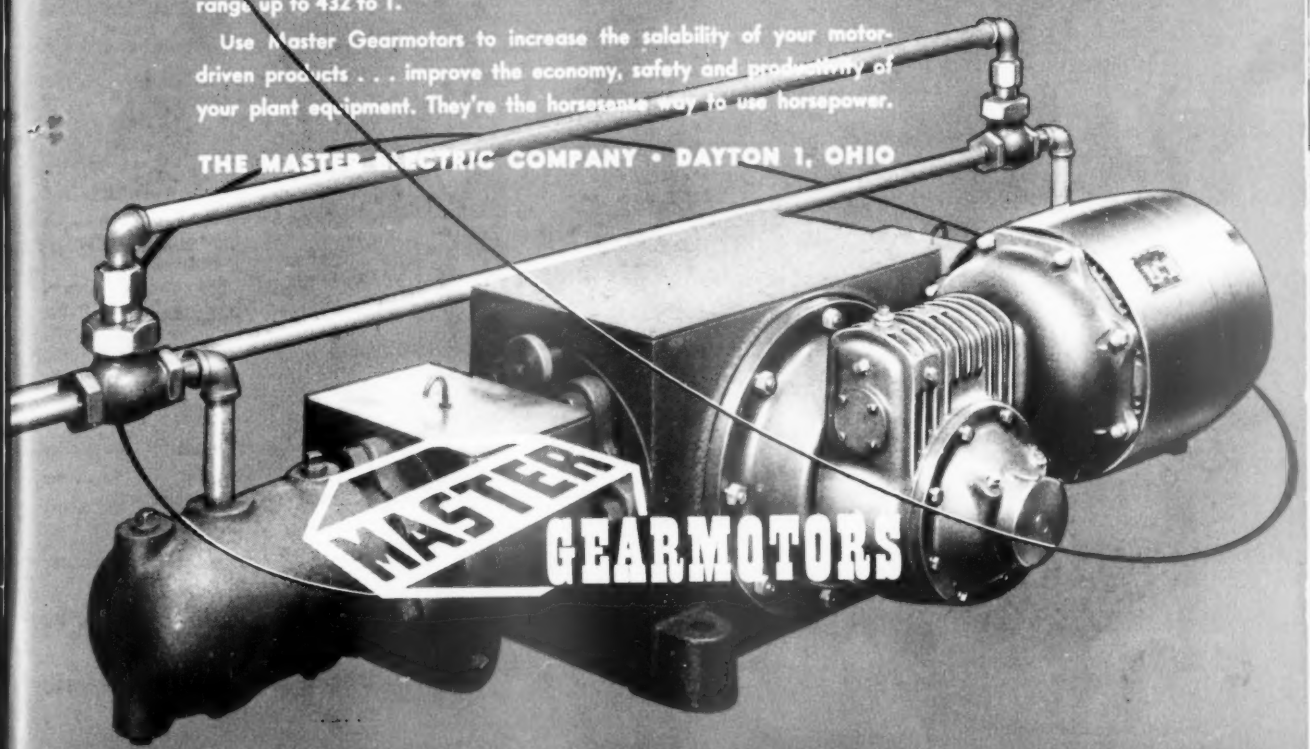


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dends, it becomes income to him and is taxed at personal income rates. If the business were a simple partnership instead of a corporation, the income would be taxed only once—at personal income rates. Thus, the dividends paid out by corporations always bear a higher total tax than they would if the business were conducted as a partnership. Besides being unfair, this overtaxation presumably puts a damper on further expansion of investment and production.

There's another handle to the problem. High-bracket taxpayers might postpone or avoid part of their taxes by letting income accumulate in the corporation instead of taking it out as dividends. Of course, if the income is paid out later, the tax will catch up with them, but they may be able to sell their stock and realize a capital gain (taxable at a maximum rate of 25%). Or personal tax rates may be reduced in the meantime. In such a case, the earnings of the corporation would benefit by undertaxation in comparison with the tax on the rest of the taxpayer's income.

• **Six Methods**—Most programs for revising corporate taxes are designed to reduce undertaxation or overtaxation—that is, to put the corporation on somewhat the same footing as a partnership. The Treasury study considers six main approaches:

(1) Eliminate the corporate tax entirely and tax capital gains at full income rates. This would have to be coupled with some system of averaging personal incomes over a period of years; otherwise the high surtax rates would eat up capital gains in good years without allowing an offset for losses in other periods.

(2) Tax all corporate profits at rates applicable to the individual stockholders. In other words, disregard the corporate form and treat the business as a partnership. This would work if the company had a simple capital structure and only a few stockholders. It would be an impossible method for a big corporation with widely held securities to have to cope with.

(3) Allow corporations to take a tax deduction for dividends paid. The corporate tax then would be reduced or eliminated (depending on the size of the credit) where distributed earnings were involved; retained earnings would pay the full rate.

(4) Treat the corporate tax as a withholding tax on dividends. Individuals would include both the dividend and the tax in their personal returns, then credit themselves with the tax paid by the corporation.

(5) Exempt dividends from part of the individual income taxes, say, the first bracket.

(6) Permit individuals to exclude



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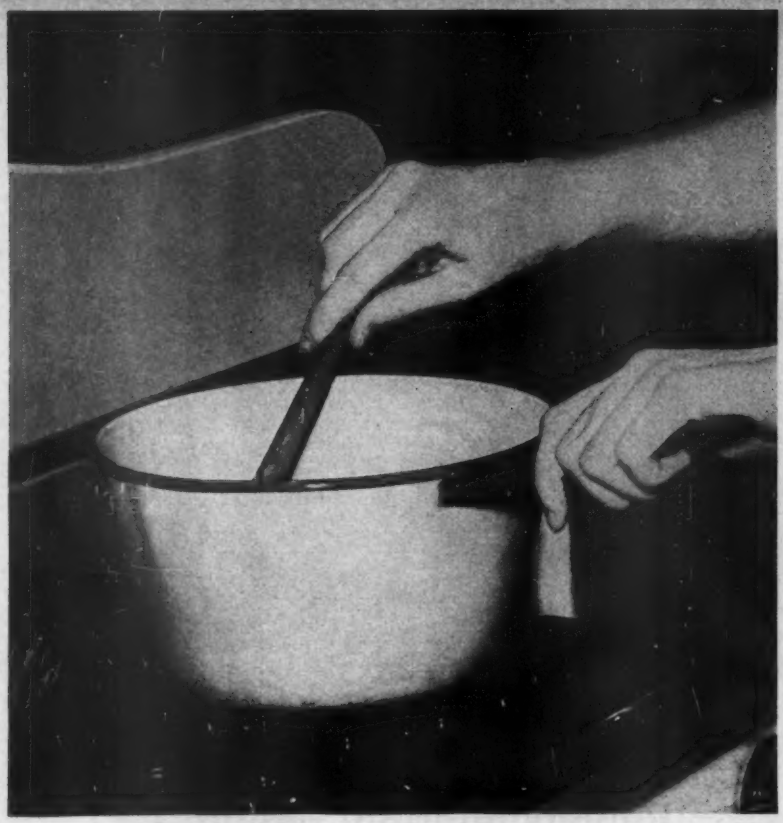
If you're a rabbit you can be reasonably sure that one and one makes . . a *LOT.* If you're an industrial executive you know that the record of Connecticut industries augurs well for the factory you may expect to establish, when conditions permit, in this same "State of Success".

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part of the dividends they receive from taxable income.

• **Pick of the Lot?**—The Treasury's experts have found bugs of one sort or another in all of these schemes, but the credit-for-dividends-paid method gets off far more lightly than any of the others. It would eliminate all or part of the double taxation, and at the same time discourage excessive accumulation of earnings in the corporation.

For example, Congress could set the corporate tax rate at 40% and allow a tax credit equal to 25% of the dividends. Then, if a corporation paid out $80 from each $100, it would get a $20 tax credit, which would bring its tax rate down to 20%. If it paid out nothing, its tax would stand at 40%.

To take care of small companies that need funds for expansion, Congress probably would have to provide a minimum credit that would allow some retention of earnings without penalty.

• **Objections**—Theoretically, the partnership approach would be the ideal method. In practice, it couldn't work except for the simplest of corporations.

Outright elimination of the cor-



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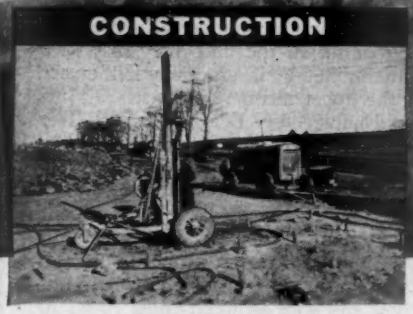
The Budd Co., automotive and railroad car manufacturer, has a new head—Edward G. Budd, Jr. (above). He has taken over the presidential reins formerly held by his father, the late Edward G. Budd, who founded the company in 1912, developed it into one of the leading concerns in its field (BW—Apr.20'46,p61). The younger Budd's entire career has been devoted to the company; he became vice-president in 1934, a director in 1938, executive vice-president in 1943.

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This huge and very essential program means work for thousands of road builders, bridge builders and engineers; for the manufacturers of roadbuilding machinery and for suppliers of rock, cement, steel and other materials. The finished product means safer driving, greater use of cars and trucks, real estate development, increased tourist trade —greater National Prosperity.

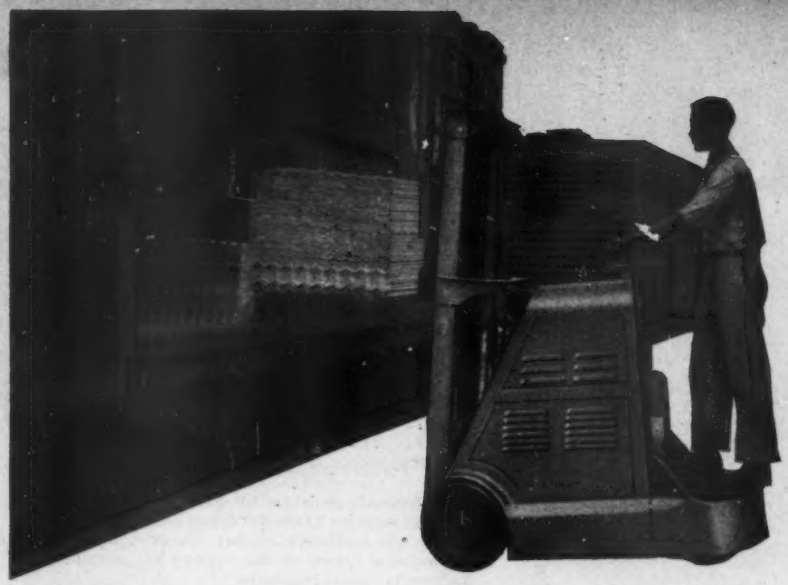
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porate tax also makes a good showing on paper, but this would drag in the whole theory question of capital-gains taxation.

The withholding approach runs into deep water when the taxpayer starts to make out his return and wants to know how much of the corporation's taxes can be allocated to his dividends. This would have to be settled by more or less arbitrary rules.

• **Political Catch**—The credit-for-dividends-received plan and the dividend-exclusion method would give much bigger benefits to high-bracket taxpayers than to small-income earners because part of dividend income would escape the top-bracket rates. On these grounds, they probably would run into trouble in Congress. Mechanically, they would be simpler than any of the others.

Income Tax Detour

Community property laws, in effect in nine states, may be enacted by others, or Treasury itself may adopt the principle.

Taxpayers are going to hear a lot about community property in the next year or so. In the end, they may save some money by it, especially if they are in the upper income brackets.

• **Advantage of Being Married**—The community property principle is a legacy of old Spanish law that has bedeviled the Internal Revenue Bureau ever since the federal government adopted an income tax. Under Spanish law, marriage was an economic merger as well as a union of loving hearts. Husband and wife acquired equal rights in various kinds of property—including income—regardless of which originally owned it or earned it.

This doctrine carried over into the law of eight states—Arizona, California, Idaho, Nevada, New Mexico, Texas, Washington, and Louisiana (via French law). When the federal income tax went into effect, inhabitants of these states found that they had an edge over taxpayers in the rest of the country. They could split income equally between husband and wife, filing two returns and dropping down into lower brackets, no matter which one received the income.

• **Newcomer**—In 1939, Oklahoma, which had been suffering from an exodus of oil millionaires to nearby Texas, tried to join the select circle. It passed a law permitting husband and wife to make a community property contract that would divide property and income equally between them. Federal tax authorities refused to accept the contracts as grounds for splitting income, and the

problem went to the courts. In 1944, the U. S. Supreme Court finally held that the Oklahoma law was no good for tax purposes because it made the community property contract elective and not a compulsory "incident to marriage" (BW—Dec.2'44,p20).

The next year, Oklahoma tried again. This time, it made community property compulsory (BW—May5'45,p79), and Internal Revenue agreed to accept the new law as a valid basis for computing personal income taxes (BW—Jan.5'46,p27).

• **Up to Expectations**—After almost two years of experience, the Oklahoma law seems to be working smoothly. The emigration of rich oil men apparently has stopped. Many of the anticipated difficulties in settling estates and handling property transfers have never come up. So far, no one has challenged the law in court.

Oklahoma tax experts figure that the law is saving citizens of the state $18 million to $25 million a year. Most of this goes to the top incomes where high surtaxes are involved. On a $50,000 gross annual income, for instance, federal taxes on a single return would be $24,453; on a split basis they would be only $18,164, a difference of $6,289. For incomes below $3,000, the difference is negligible.

• **Copycats Likely**—Oklahoma's success in promoting itself to the community property group undoubtedly will start other states along the same route unless there is some change in the federal tax laws. Oregon copied the 1939 law and probably will do the same with the new model. Colorado also is talking about shifting to a community basis.

During the coming year, legislatures will meet in some 44 states. It is a fair bet that the community property question will be kicked around in a large proportion of them.

• **Treasury's Plan**—The U. S. Treasury, however, has been playing with an idea that might lay the community property ghost once for all. Former Secretary Henry Morgenthau tried again and again to get Congress to make joint returns compulsory for all married taxpayers; he got his nose bumped every time. Now, the Treasury may try the opposite tack.

Stanley S. Surrey, the Treasury's tax legislative counsel, has suggested letting all married couples split their incomes (BW—Nov.30'46,p17). This would put taxpayers on the same footing in all states.

• **Chances Are Good**—Surrey's plan would amount to a tax reduction for the upper income brackets. It probably would not be acceptable politically except at a time when other taxes were being cut, but it stands a good chance of going through as part of the next tax reduction bill

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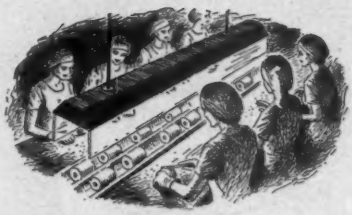
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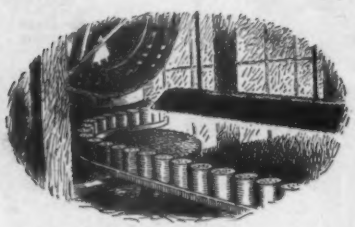
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"Gas" Tax Flood

Revenue in 1946 may hit $1 billion. A.P.I. uses toy filling stations in campaign against increased levies.

Gasoline stations, as collectors of state and federal taxes, are doing a bigger job than ever before. Estimates of 1946 revenue, possibly a round $1 billion, indicate that the year will far surpass the previous peak of 1941. Even higher collections are likely in 1947, regardless of whether gas taxes are increased as proposed in a dozen or more states.

• **Tax Tells the Story**—The part filling stations play in collecting taxes is highlighted by the American Petroleum Industries Committee in a campaign against tax increases. A cardboard reproduction of a station, die cut for home assembly as a toy, stresses the stations' tax-collecting function (picture, below). Topping the model is a sign: "Gas Taxes Collected Here." That gas and oil also are sold is announced as a secondary service.

Thus the committee expects to prod taxpayers into setting the brakes against increases. Some 3,000,000 models are being manufactured at a cost of $18 a 1,000 to give away at gasoline stations.

• **Funds Often Diverted**—Three reasons are offered by the committee in opposition to increases:

(1) Gas taxes now are often diverted from building highways to pay other governmental bills;

(2) States, by and large, already have ample funds to lay whatever roads can be built in view of labor shortages, high costs, lack of equipment; and

(3) Gas taxes conceal industry improvements that have reduced the price of gasoline.

Arthur C. Butler of the National Highway Users Conference reports that pro-



It's only a cardboard toy, going to the kids just for the asking. But it's getting its tax protest message into homes—which is the whole idea.

UMI

"Sweet land of poverty?"

the answer is in today's headlines



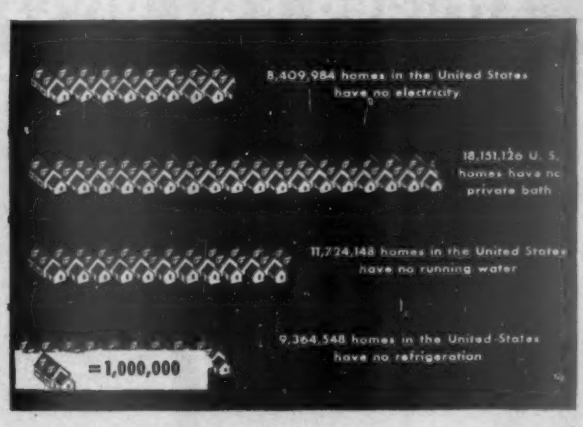
PEOPLE NEED CLOTHES! Want a new suit? So do a lot of others. It's going to take more than 40,000,000 suits to fill the present demand alone. Measure that against the millions of pairs of stockings that women want to buy right now, the urgent need for 14 billion yards of cotton fabrics.



PEOPLE NEED CARS! Age of the average car on the road today is eight and one-half years. Each month an estimated 90,000 drive their last mile to the junk pile. Result: America needs 15,000,000 cars. And don't overlook the 3,000,000 trucks and buses which are necessary to meet transportation needs.



PEOPLE NEED HOMES! How often have you seen this unhappy picture in your newspaper? It's public notice of America's crying need for 2,700,000 new homes. But it goes beyond that: it's estimated that industry needs a billion dollars worth of new plants, shops and stores.

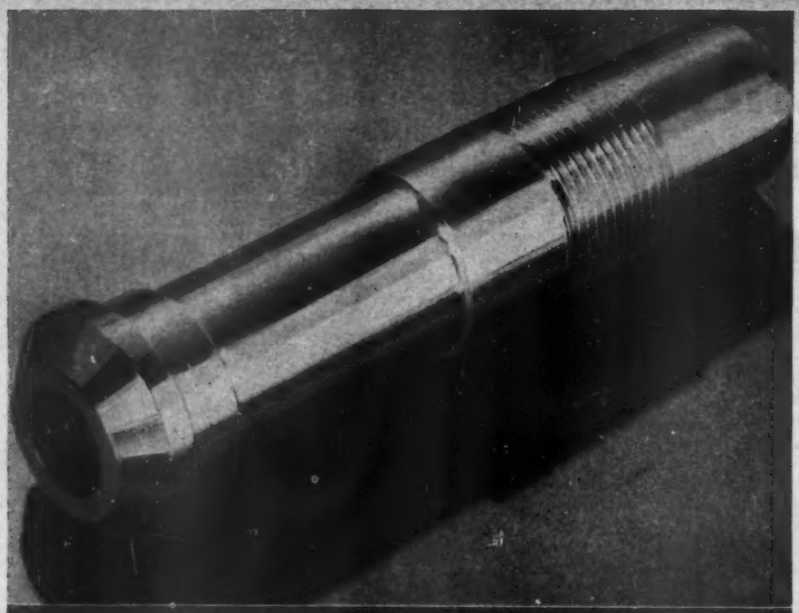


THE GREATEST U. S. NEED is to make it possible for *all Americans* to enjoy the basic necessities of American good living. The chart above tells a story of how great this need really is. It offers a challenging opportunity to the imagination, enterprise and initiative of every American manufacturer.

How Can America Get What it Needs?

The answer is *produce more!* In turn, increased production means lower prices and increased demand because more people are able to buy. This is the formula for more jobs, high wages, high standards of living. It's the formula that keeps America *busy!* Today, a man's productivity is measured by the capacity and efficiency of the machine he operates. Thus, the modern machine tool is industry's instrument for reducing costs — by increasing the productivity of the worker. Now is the time for manufacturers to start replacing high cost obsolescent tools with modern new machine tools which make possible the low costs, low prices, high wages everyone wants.





Ampco Metal
Extruded Rod gives you

Production savings of Extruded stock

1. Cuts production costs.
2. Reduces waste — sizes parallel requirements.
3. Cuts machining time and saves metal.
4. Smooth surface and compact structure cuts rejections for flaws.

plus

Performance advantages of Ampco Metal

1. Higher fatigue and impact values for longer life.
2. Stronger than other bronze parts for less replacement cost.
3. Higher compressive strength for added durability.
4. Lighter than other bronzes — your equipment weighs less.

You get a double benefit when you use Ampco Metal extruded rod. Production economy and operating stamina make Ampco Metal extruded rod the ideal stock for parts subject to wear, impact, fatigue and corrosion.

Extruded Ampco rods are produced in two grades of Ampco Metal and two grades of Ampcoloy bronze — by the largest extrusion press in the Middle West, and one of the few in the world devoted exclusively to the extrusion of aluminum bronze. Specialization by Ampco has resulted in a finished product whose quality is a production advantage to you and a performance advantage to your customers. Ask your nearby Ampco engineer to help you specify the proper grade for your requirements.

REG. U. S. PAT. OFF.

AMPCO Metal

The Metal without an Equal

A-32

Write for bulletin **BW-12**

Ampco Metal, Inc.

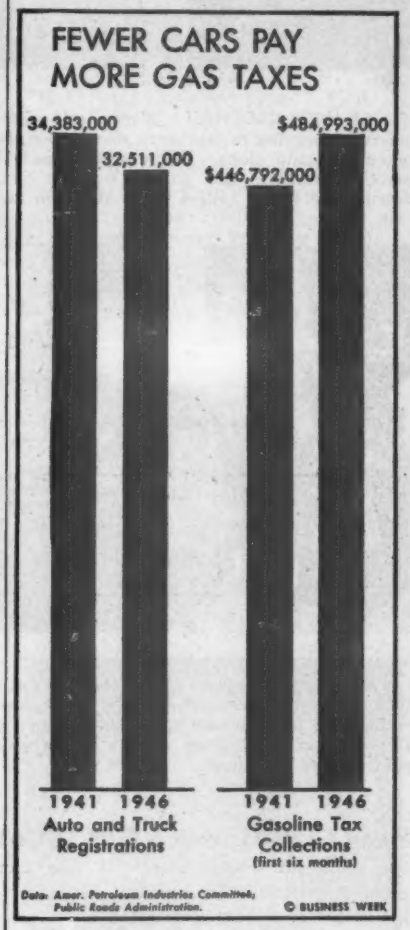
Department BW-12 • Milwaukee 4, Wisconsin

Field Offices in Principal Cities

posals to raise gas taxes are in the making in several states. These include California, Colorado, Connecticut, Indiana, Michigan, Montana, Nebraska, North Dakota, Pennsylvania, South Dakota, Utah, Texas, and West Virginia. Similar proposals are looked for in Arkansas, Illinois, Iowa, Maine, Maryland, and the District of Columbia.

• **Lowest Levy Is 3¢**—Gas taxes now average 6.09¢ a gal. The federal cut is 1.5¢. This leaves the states with an average of 4.59¢. Oklahoma's 7.5¢ is the highest state tax. The lowest state tax is 3¢ a gal. It is collected in eight states and the District of Columbia.

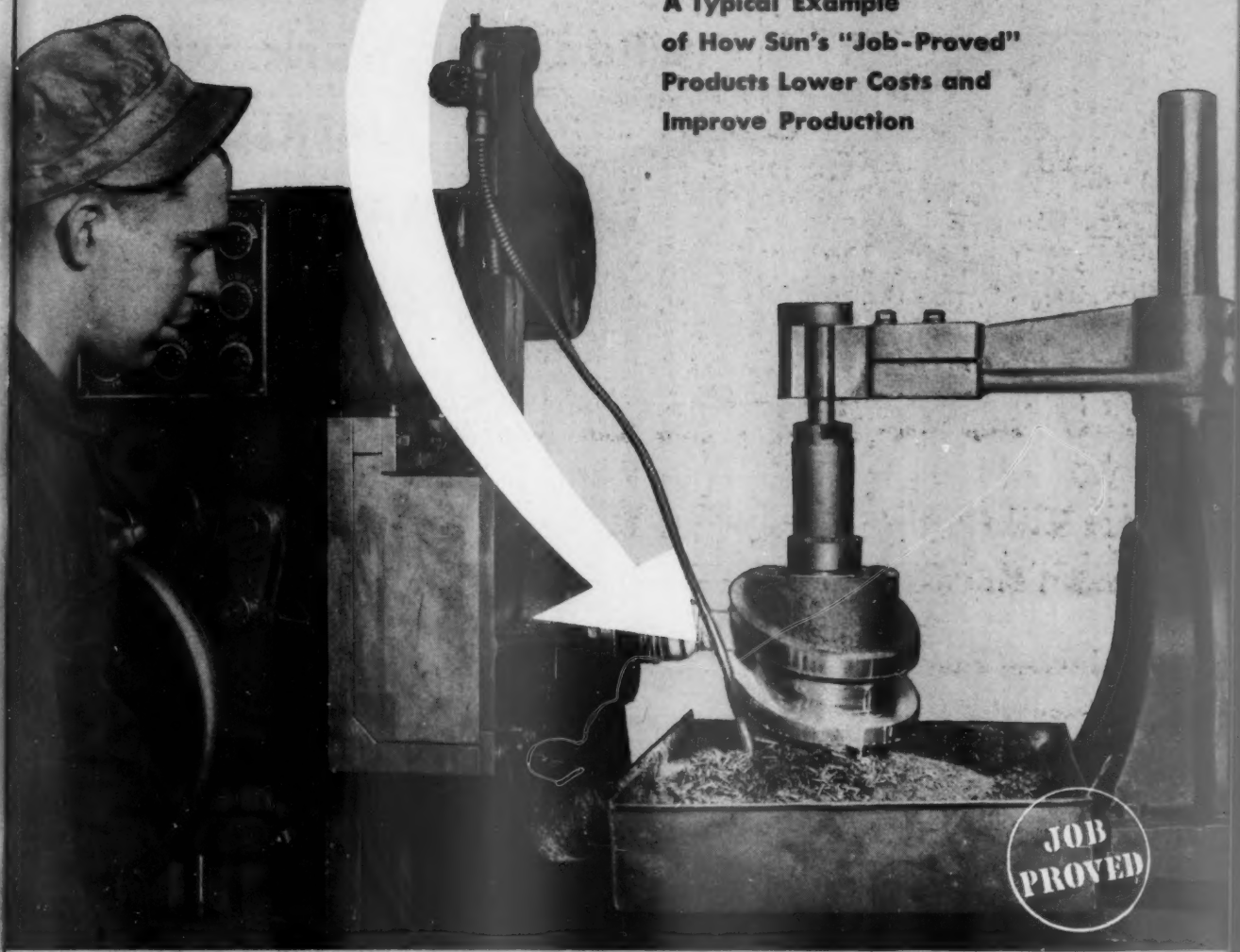
At present rates, gasoline costs a national average of 21.61¢ a gal. The service station returns 11.12¢ to the distributor from the 15.52¢ left after the tax has been deducted. Thus the average tax runs more than half the station's net cost of the gasoline.



Gasoline tax revenues in the first half of 1946 were 8.6% larger than in the same 1941 period, despite declining auto registrations. The answer is more miles per car; tax rate-hikes (in only five states and the District of Columbia) account for only a trifling part.

A DOUBLE-BARRELED CUT IN COSTS

A Typical Example of How Sun's "Job-Proved" Products Lower Costs and Improve Production



A well-known manufacturer was buying two products: a straight cutting oil for milling machines, and soluble paste for grinding machines. Cutter life was short; finish on metal parts was unsatisfactory, and marred by brown stains.

When the plant changed to Sunoco Emulsifying Cutting Oil for both jobs, finish immediately improved and stains disappeared. Also, this change to the more stable "Job-Proved" SECO resulted in doubled cutter life — and more than doubled oil life. A saving of 25 per cent in oil costs alone has been obtained.

This story of better quality, fewer production delays and lower operating costs is one that has been repeated many times by Sun "Job-Proved" products.

Throughout industry Sun Engineers are on the job . . . in machine shops . . . power plants . . . paint shops . . . in the lubrication of special types of machines . . . wherever petroleum products are at work. Get in touch with your local Sun representative today.

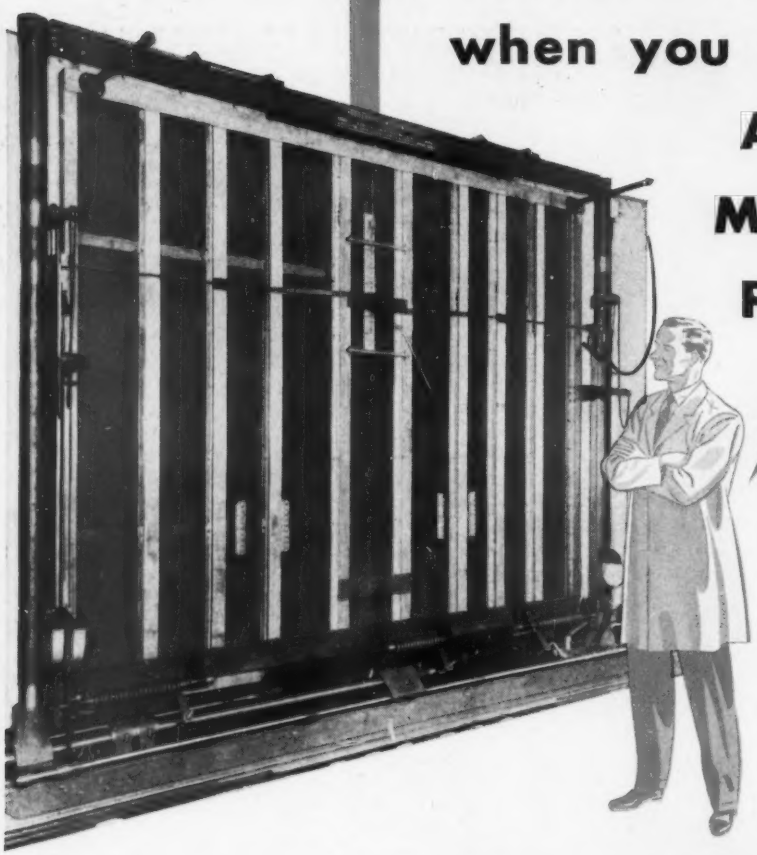
SUN OIL COMPANY
Philadelphia 3, Pa.

Sponsors of the
Sunoco News-Voice of the Air — Lowell Thomas

SUNOCO **SUN INDUSTRIAL PRODUCTS**

UMI

You can think BIG when you work with AMERICAN MAGNESIUM PRODUCTS



Backboard of a Rutherford Photocomposing Machine using American Magnesium extrusions to save weight. The board is rigid; no warping to cause distortion.

Has BIGness been a stumbling block because it involves excessive weight and unwieldiness? You can make an about-face in your thinking, if you start with featherweight American Magnesium products. Look at this equipment, for example—

It's eight feet high. Yet work goes fast, movements are precise, and one man handles it easily, thanks to the smart design and wide use of weight-saving Mazlo Magnesium.

American Magnesium Corporation makes a complete line of products to help you cut excess weight. Sand castings, permanent mold and die castings, shapes, sheet, and plate; all are available to the manufacturer whose development work has been stymied by the idea that size means overweight and too much bulk.

For help in designing magnesium into your products, call the nearby Alcoa office. Or write Aluminum Company of America, Sales Agent for American Magnesium products, 1711 Gulf Building, Pittsburgh 19, Pennsylvania.

MAGNESIUM MAZLO PRODUCTS

REG. U.S. PAT. OFF.

AMERICAN MAGNESIUM CORPORATION

SUBSIDIARY OF

ALUMINUM COMPANY OF AMERICA

The Neiman-Marcus Formula

Dallas' famed specialty store sticks to its original idea—luxury service in luxurious surroundings. It's ready to spend $2 million for more of the same on a time-tested theory.

"Taste," says Stanley Marcus, executive vice-president of Neiman-Marcus Co., "is what we like."

And the Neiman-Marcus idea of taste is what makes women flock to the glittering Dallas specialty store. It sets the fashion pace all through the Southwest. It holds its own with fashion-minded women all over the country and abroad. After 40 years of almost unbroken annual sales increases with this formula, the store's future plans are simple and logical: more of the same.

• **More and More Luxury**—Many retail executives are cudgeling their brains these days to find new hedges against the day when selling will not be the easy game it now is. Usually they think in terms of diversifying into new lines. But Neiman-Marcus is zealously determined to remain a specialty store, providing luxury service in luxurious surroundings.

It will spend about $2,000,000 to enlarge its classical Dallas building. It will provide an even more magnificent setting. Still more quiet salons, soft lights, deep carpets, and mirrored and tapestried walls. More and more atmosphere for displaying—and selling—the merchandise that makes its name a hallmark of taste and fashion. But it will not seek new types of business.

• **The Top Stratum**—This attitude flies in the face of most retail opinion, which holds that the specialty store is peculiarly vulnerable to the low periods of the business cycle. Its lines are limited, its prices higher, its promotional and advertising expense is heavy, and its luxurious surroundings involve substantial maintenance expense. But Marcus reserves his sympathy for the department store.

He believes that when consumer goods are plentiful selling will settle into two strata: At the top will be the specialty store for the "discriminating"; at the other extreme will be the competitive mass merchandiser (such as a mail-order chain) who can give the wage earner of $3,600 or less far better values than he has ever enjoyed before. In the coming competition for business Marcus believes that the department store, squeezed in the middle, will find the roughest going.

• **Success Story**—Marcus' prejudice in favor of the specialty store is understandable from his family's success with it. Herbert Marcus (Stanley's father), president of the company, and his sister and brother-in-law, Carrie and Al Neiman, made $3,115 net profit in 1906, their first year. Except for two depression years, when losses were comparatively small, the store's profits have grown ever since. Last year it netted $565,882 on net sales of $16,983,119 (twelve months ended Jan. 31, 1946). This year it hopes to come much closer to $1,000,000 net profit, despite a $500,000 fire which closed the store four days early this month.

To non-Texans, the wonder of Neiman-Marcus is not only its phenomenal success, but its locale. Any accounting for it should recognize, of course, that from the beginning Texas has had the natural wealth to support the Neiman-Marcus standard of taste. The store's real accomplishment is in getting that luxury money spent in Dallas, rather than in New York or other long-established fashion centers. "When a Dallas woman buys a set of sables outside our store, we have failed in our job," Stanley Marcus remarks seriously.

• **National Promotion**—His advertising campaigns are calculated to circumvent such failures. Women the country over read in their favorite slick magazines



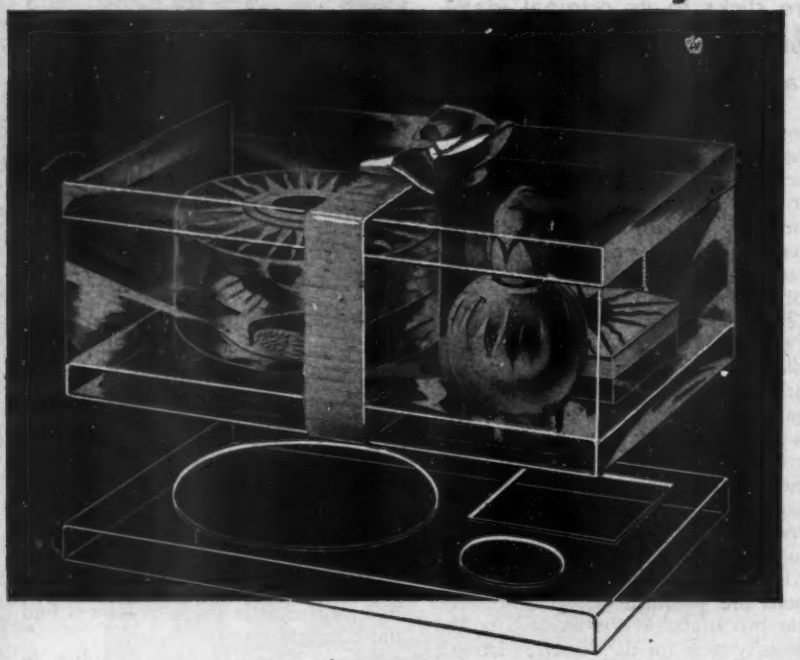
Because distinctive Neiman-Marcus merchandise deserves distinctive trappings, the store's gift wrap station works nonstop throughout the Christmas shopping hours.



Many a bigwig in the world of design treks to Dallas to watch Neiman-Marcus call the fashion tune for the Southwest. Typical visitor: Pierre Balmain, French designer, who learned from Stanley Marcus (left) to roll his own.

UMI

It's new...
...it's captivating!



INVISIBLE BASE
that holds things in place...

Another contribution to modern packaging by U.S.E. Now the transparent acetate box is *really* transparent from top to bottom and side to side. Customer sees *through* the box in any direction — no part of your product or package need be hidden in order to obtain security. The captive bottom is also clear, transparent acetate, died out to hold the merchandise.

Let us show you how this *captiv*ating idea can *capture* more sales for your merchandise.

Whatever your packaging problems, you will get a head start on their solution by sending today for the U.S.E. Packaging Check Sheet. We'll send it to you free in the U.S.E. Envelope Analyzer Kit, which also contains check sheets on Mailing and Business Systems.

UNITED STATES ENVELOPE COMPANY

14 Divisions from Coast to Coast

K KELLOGG CONTAINER DIVISION SPRINGFIELD MASS.

U·S·E PROTECTIVE PACKAGING

about "The Neiman-Marcus Woman." The store began this advertising a dozen years ago, when such a splash was rare except for New York or California stores. By selling the Neiman-Marcus name to women all over the country it has sold Dallas women even more solidly. Now, when fashion-conscious women journey southwestward, a Neiman-Marcus pilgrimage is No. 1 event on their itinerary.

Such distinction must be re-earned constantly, and the store works hard at it. In few other places in America are the collections of so many famous designers found under a single roof; Adrian, Howard Greer, Nettie Rosenstein, Lily Dache, Tina Leser, Hattie Carnegie, John-Frederics, Elizabeth Arden, and others.

But taste, not price, is the store's guiding principle. It boasts that it will not carry merchandise unworthy of the Neiman-Marcus conception of taste, even though it would be sure to sell. While it buys from recognized American and foreign sources, it also buys from artisans and small manufacturers whose products fit the subtle Neiman-Marcus standard. Many special designs are created solely for the Neiman-Marcus market.

• **Showmanship**—The store backs this kind of merchandise with plenty of action and showmanship. Local newspapers review its weekly hotel luncheon fashion shows in a spirit of awe. There are endless other events: the annual college show; bridal, teen-age, and junior shows; annual men's night; Christmas shows; and fashion shows in Mexico City (BW—Feb.10'45,p116) and Houston. For good reason, merchants in Kansas City, New Orleans, San Antonio, and other cities have put on the pressure to bar Neiman-Marcus from showing there.

Nor does the publicity-conscious store ever muff an unexpected opportunity to exploit the dramatic. When a St. Louis socialite wires that she is interested in a mink coat, some gowns, and pearls, Stanley Marcus sends one of his best salesmen with a collection of finery, and usually welcomes him back with perhaps a $25,000 order a few days later. He could of course box the merchandise and ship it to St. Louis, but minks do better with somebody around to talk for them and the store does better with flattered socialites to talk about it.

• **Men's Shop, Too**—Like any specialty store, Neiman-Marcus sells primarily to women. Their apparel accounts for 40% of its volume, the shoe salon another 7%, and precious jewels, 3%. The rest is divided among smaller shops, such as cosmetics and decorative galleries.

Only 9% of the store's volume is in the men's shop, but it makes a conscious effort to break down the feel-



"Here's your Answer TO UNLIMITED SPEED SELECTION!"

RELIANCE V★S DRIVE

Conveniently-packaged, space-saving V★S Drives are available from 1 to 200 horsepower.

Reliance V★S is the *All-electric, Adjustable-speed Drive,* which operates from *A-c. Circuits.* The flexibility it brings to machine operations can increase your production and cut your costs—as it has already done in thousands of installations. Here is the simplest, most efficient means of securing an infinite range of stepless speed changes from your plant's A-c. circuit for all processing jobs. Bulletin 311 will bring you more of the important facts about the V★S Drive. Write for it today!

RELIANCE ELECTRIC & ENGINEERING CO.

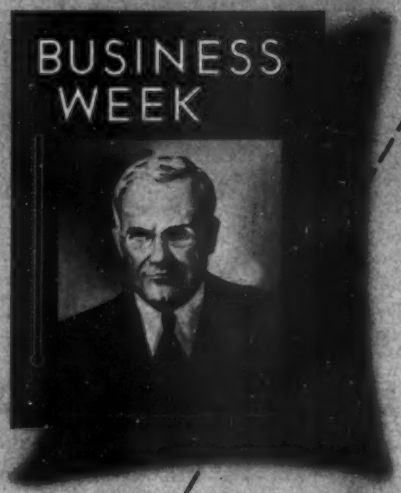
1069 Ivanhoe Road • Cleveland 10, Ohio

Appleton, Wis. • Birmingham • Boston • Buffalo • Chicago • Cincinnati • Denver • Detroit • Gary • Grand Rapids • Greenville Houston • Kansas City • Knoxville • Los Angeles • Milwaukee • Minneapolis • New Orleans • New York • Pittsburgh Portland, Ore. • Rockford • St. Louis • San Francisco • Seattle • Syracuse • Tampa • Tulsa • Washington, D. C. Sao Paulo, Brazil

RELIANCE A-C D-C MOTORS

"Motor-Drive is More Than Power"

"Wherever you find it, you find a management man



...well informed."

ing among males, Texans and others, that Neiman-Marcus is a secret, sacrosanct world for women. It claims the greatest count of men entering any specialty store in America. Store executives believe they have removed much male prejudice by persuading men that they are trying to make no more than a reasonable profit on their sale of luxury goods.

• **Gross Sales Unit High**—The store's ratio of net profit to net sales last year was 3.3%—less than that of specialty stores elsewhere. The ratio of Bullock's, Inc., of Los Angeles, for example, was 4.0; Bonwit Teller, Inc., and Best & Co., both of New York, had ratios of 6.4 and 3.9 (department store ratios are traditionally lower, of course; for example the profit-to-sales ratio of R. H. Macy & Co., Inc., and L. Bamberger & Co. in the year ending July 28, 1945, was 2.6%).

Neiman-Marcus has one of the highest average gross sales in the country, $11.79. The national average for department and specialty stores for 1945 was $3.41.

• **Charge Accounts for 80,000**—One reason Neiman-Marcus thinks its formula holds an antidepression clause is that its promotional efforts are directed toward income groups which are not immediately affected by changes in the economic climate. Significantly, the store did not actively solicit the trade of the hordes of war workers that poured into Dallas. Significant also is the addition of 115 new accounts within the past six months from individuals worth



BESTING THE WEATHER

When Best's department store moves to its new Manhattan quarters—late this winter, if all goes well—customers will walk in firmly on a "snow-proofed" sidewalk. Hot water circulating through pipes that are being laid beneath the surface of the walk (above) will warm the concrete, dissipate the snowflakes as they light.

BETTER PLUS PROTECTION . . than Debit Memos



In filling export orders be sure that you are doing a complete packaging job . . . be sure that your corrugated shipping boxes provide that extra margin of safety that protects your products against the dangers of distance shipping, thereby eliminating costly damage payments.



EXPERTLY ENGINEERED FOR SAFE DELIVERY

A correctly engineered shipping box combines maximum protection with maximum economy . . . eliminates the need for over-packing. H & D shipping box engineering . . . that certain skill that comes from the H & D Package Laboratory, makes sure that your merchandise will arrive safely, and ready for quick selling . . . no matter how far it travels or how rough the journey. See for yourself how H & D packaging experts can help you plan engineered boxes which assure you safer shipping, increased customer good will, extra sales for your merchandise. Write for our booklet, "How to SHIP In Corrugated Boxes." The Hinde & Dauch Paper Company, Executive Offices, 4602 Decatur St., Sandusky, Ohio.

REG. U. S. PAT. OFF.

H&D HINDE & DAUCH

AUTHORITY ON PACKAGING

FACTORIES IN: Baltimore • Boston • Buffalo • Chicago • Cleveland • Detroit • Gloucester, N. J. Hoboken • Kansas City • Lenoir, N. C. • Montreal • Richmond • St. Louis • Sandusky, Ohio • Toronto

UMI

Measures Up!



LUFKIN RULES* use

KEYSTONE WIRE

Every Lufkin folding rule has an extremely accurate hinge joint that keeps the rule in perfect alignment. Open a 6-ft. Lufkin "Red End" rule to its full length and then sight down the edge. You'll find it as straight as a plumb-line —and built to stay that way through years of hard use.



Lufkin 6-ft. folding rule . . . each section hinged with Keystone wire. Hinge parts are shown at right.

The heart of this precision-made joint is the sturdy tubular hinge rivet, made of specially-drawn Keystone wire . . . wire that must be uniform to within extremely close tolerances, ductile for proper fabrication, yet tough and springy to withstand tension and wear.

We are pleased that Keystone wire meets all these qualifications, helping keep the Lufkin rule a leader in its field. Whatever the wire need, Keystone can normally supply it.

Lufkin Rule Co., Saginaw, Michigan

KEYSTONE MUSIC SPRING WIRE

SPECIAL ANALYSIS WIRE for all industrial purposes

KEYSTONE STEEL & WIRE COMPANY
PEORIA 7, ILLINOIS

$250,000 or more—over 80% of them worth upward of $500,000.

The store now has 80,000 charge accounts (compared with 20,000 ten years ago). They account for about 65% of its sales, and their credit lines range from $50 up to $100,000. Half the store's accounts live outside Dallas, with the heaviest concentration within 150 miles.

• **Customers From All Over**—But mail orders and customers also come from the rest of the Southwest trading area, the other 43 states, and foreign countries, especially Mexico.

A recent full page advertisement in the New York Times is characteristic of the view the Texas store takes of its place in a shrinking world. The Times ad was captioned, "Nearby Neiman-Marcus."

• **The Objective**—But Stanley Marcus doesn't let mail-order business deflect him from the primary job of any specialty house, which is bringing into the store the people who set the pace.

As he puts it, "We strive to provide the top 5% of our customers with the kind of service they want. These are the discerning ones, the tough ones, the ones who really know what they want. If we can please them, we will have pleased all our other customers."

CERTIFIED FOOD FOR PETS

Tabby the cat and Bowser the dog will soon be eating government-inspected and certified food.

Several leading canners of pet foods—including Armour, Cudahy, Morrell, Quaker Oats, Vogt & Sons of Philadelphia, and Perk's Food Co. of Chicago—have applied for the optional service recently offered by the U. S. Dept. of Agriculture under provisions of the Agricultural Marketing Act of 1946.

The new service applies to "canned wet food for dogs, cats, and other carnivora," as distinguished from dry foods such as dog biscuits.

To obtain government certification, the canned product must be "a normal maintenance food," containing at least 10% protein, 0.3% each of calcium and phosphorus, and 0.15 milligram of thiamin. At least 30% must be meat or meat byproduct. Vegetables, grains, or substances derived from them must be of good quality.

Packers availing themselves of the service will be permitted to label their products as "inspected and certified by U. S. Dept. of Agriculture."

During the war, shortage of containers forced curtailment of output of canned pet food, but dry foods boomed. Now the canning section of the industry is expanding rapidly. Production of fresh frozen dog and cat food, pretty much of a novelty before the war, is also on the increase.



What's Right for Round Jobs?

WHICH is the most efficient modern technique for forging "round jobs"? It can be either, mechanical press or upsetter, depending on your particular requirements.

With a wide range of capacities in mechanical presses *and* upsetters, TUBE TURNS is a good mass-production source for these "round jobs."

Both techniques at TUBE TURNS give you forgings—properly held to specified tolerances—with metal that has gone all the way out to the end of the dies, perfect flow lines and *forged* tensile strength throughout.

TUBE TURNS' mechanical presses and upsetters are closely coordinated under one roof with complete die designing, die making, laboratory, and rough machining facilities. You get a highly desirable continuity of effort from start to finish of your job.

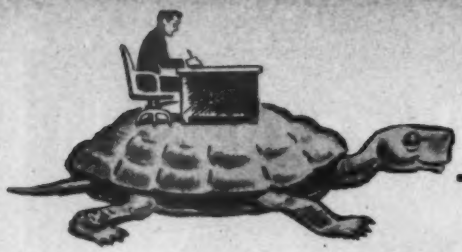
Send your prints for the recommendations of TUBE TURNS engineering staff. TUBE TURNS (Inc.), Louisville 1, Kentucky.

TUBE TURNS

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FORGINGS FOR INDUSTRY

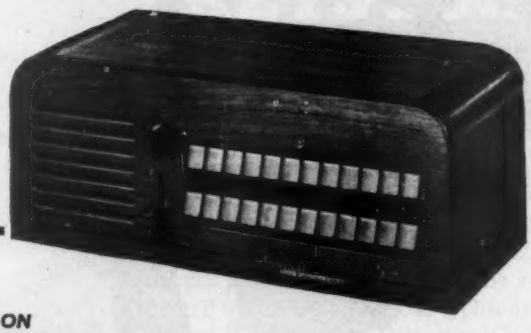
DISTRICT OFFICES at New York, Washington, D.C., Philadelphia, Pittsburgh, Cleveland, Detroit, Chicago, Houston, San Francisco, Los Angeles



Take the "TURTLE-PACE" Out of Your Business with

AMPLICALL

INTERCOMMUNICATION



INSIST ON AMPLICALL INTERCOMMUNICATION

The ELECTRONIC System That's ENGINEERED to Your REQUIREMENTS

The unit illustrated is the W200 Series AMPLICALL which provides facilities for up to 24 master stations, permitting as many as 12 conversations to be carried on simultaneously. Fast, easy operation; clear, life-like speech; private. There is an AMPLICALL Electronic Intercommunication System to fit your special needs. Installed by trained AMPLICALL specialists. Write us today for complete information.

"Turtle-pace" is expensive in any business. A slow-moving organization means lost time, low efficiency, poor customer relations, actual dollar losses. No modern business can afford "turtle-pace" operations.

AMPLICALL—the modern Electronic Intercommunication System—puts efficient, complete management control right on your desk—gives you instant, easy speaking contact with anyone on your staff—anytime. AMPLICALL helps keep busy switchboards clear for important outside calls. Gives you fast internal communication. Saves time and energy, cuts down errors and costly confusion. AMPLICALL has helped weld thousands of business organizations into efficient, productive units.

Get the "turtle-pace" out of *your* business. Get action—just press a button and talk—with AMPLICALL!

Electroneering is our business

RADIO • RADAR SOUND — Rauland — COMMUNICATIONS TELEVISION

THE RAULAND CORPORATION • CHICAGO 41, ILLINOIS



TRAVELERS' AID

For split-second reservation service American Airlines introduces the electronic "televisor" (above). Set up in Boston's Hotel Statler, it tells in a fraction of a second whether there's a seat available in the next 16 days. The operator taps out date and flight data which are relayed to a master board in American's Boston office. If a red light flashes it means no seat; a green one is the go-sign for the traveler. Teleregister Corp., New York City, makes the televisor.

USED CAR SELLING ETHICS

Used car dealers have been tagged sometimes as descendants of horsetraders, with one policy—"let the buyer beware." The Michigan Used Car Dealers' Assn. plans to elevate its business above reproach with a code of ethics. It may be adopted later by other affiliates of the new national organization (BW–Oct.12'46,p19). The code covers advertising, financing, guarantees, and public relations. The association pledges that all cars advertised will be available, with true descriptions of year, model, and style. Wrecks, taxicabs, or commercial cars will be so described.

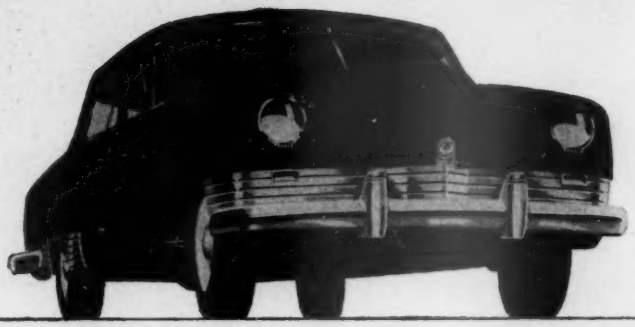
Financing will be accepted from recognized companies only, and rates "in common use" charged. Written purchase agreements will itemize charges, insurance, and method of payments.

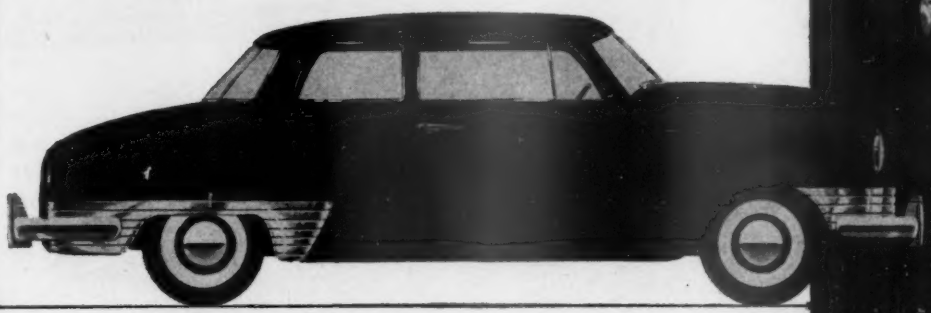
Cars will be guaranteed for 30 days from date of delivery or for 1,000 miles, whichever occurs first. Half the cost of necessary repairs during the guarantee period will be paid by the dealers.

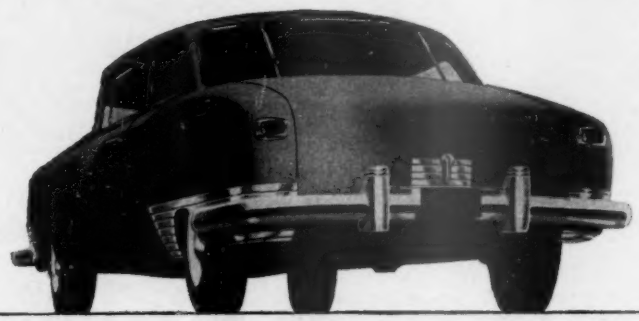
A five-man public relations board will be established by the M.U.C.D.A. to hear complaints from dealers' customers. The board will hear both sides, then make decisions binding on all association members. Memberships will be suspended for dealers violating the code.

for beauty in design and

performance







Solid, wear-proof brightwork of

Superior

stainless strip steel

The buyer's joy in the appearance of his new car can be translated into years of satisfaction when bright-work is *solid* stainless steel . . . proof against rusting, tarnishing, peeling for the life of the automobile.

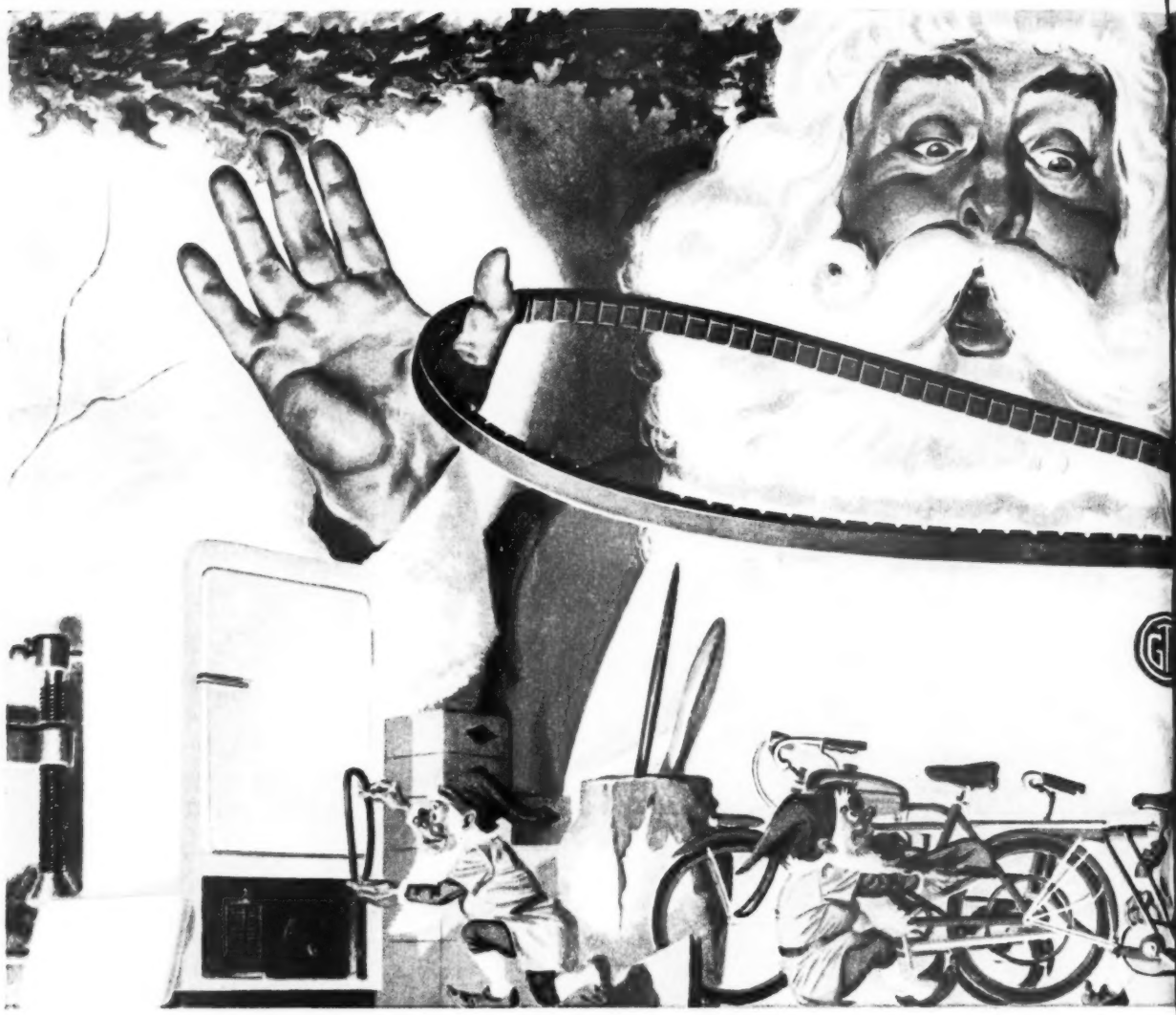
And when, as a fabricator, you specify SUPERIOR Stainless Strip Steels for the components you make . . . in precisely the right grades, tempers, dimensions for your needs . . . you benefit by Superior fabricating economy and handling ease. ● We're quality stainless strip specialists. Let us show you the difference!



Superior Steel

CORPORATION

CARNEGIE, PENNSYLVANIA



From scooters to stokers – everything's running smoother

since Santa Claus became a G.T.M.

IF you're planning to give the youngsters a sidewalk bike or a motor scooter — if you've put the missus down for a new refrigerator, deep-freeze chest or automatic type washing machine — if you're indulging yourself in a new power lathe or automatic heating plant — Old Santa has something special for you this Christmas.

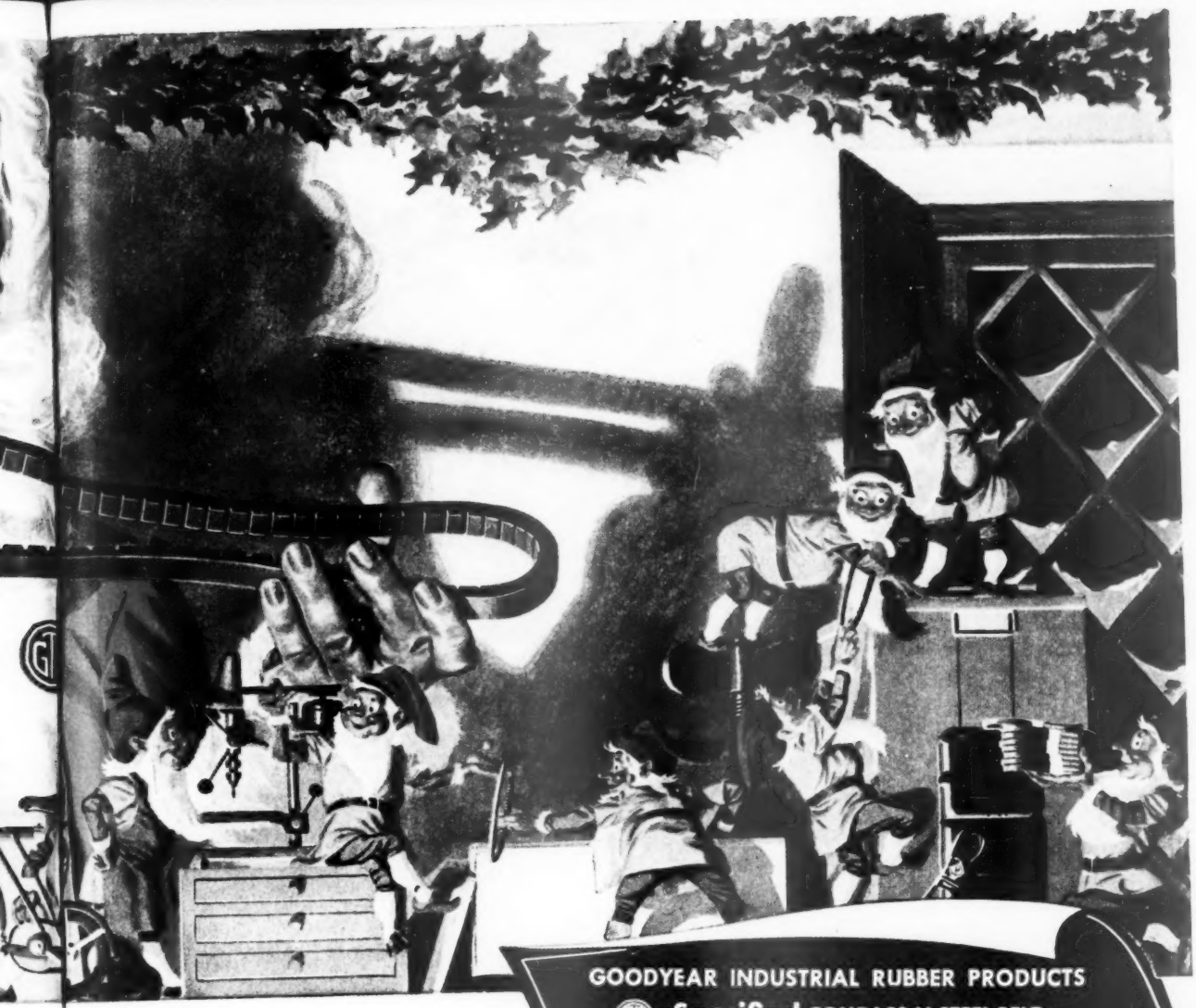
He's been busy all year equipping many of these practical gifts with a new kind of drive — a super-efficient, noiseless, shock-absorbing drive that assures years of trouble-free performance without attention, maintenance or repair.

This new drive uses the revolutionary COMPASS-V-STEEL belt developed by the G.T.M. — Goodyear Technical Man. It is a silent, cool-running rubber belt, bodied with sinewy, stretchless steel cables that give it a wide margin of extra strength to handle peak overloads.

On crucial wartime drives it proved to be the world's most efficient V-belt, as it combines the endurance of steel with an exclusive flex-ventilated construction that prevents overheating — insuring no-stretch, slipless grip under prolonged use.

On bikes, scooters and motorcycles this super-belt eliminates greasy chains and sprockets. On deep freeze units, automatic washers and other equipment where V-belts have long proved desirable, it now gives you an additional guarantee of trouble-free service. On power tools it assures constant speed operation without R.P.M. loss. On all it banishes drive troubles and vibration.

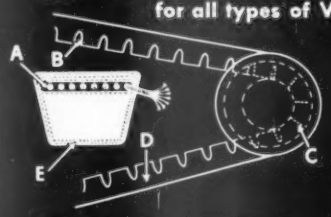
Today Goodyear is producing this foolproof, long-life belt in sizes for all types of cycles and power-driven



GOODYEAR INDUSTRIAL RUBBER PRODUCTS

GTM-Specified COMPASS-V-STEEL BELT

for all types of V-drives



Made in standard cross sections — lengths up to 112 inches.

A Load-carrying section of endless high-tensile steel cable.

B Vents open between pulleys, dissipating heat.

C Vents compress rounding pulleys, giving continuous gripping surface.

D Highest quality rubber underbody.

E Sturdy, bias-laid fabric cover resists wear.

FOR HOSE, BELTING, MOLDED GOODS, PACKING AND TANK LINING built to the world's highest standard of quality, phone your nearest Goodyear Industrial Rubber Products Distributor.

GOODYEAR

THE GREATEST NAME IN RUBBER

her

ome equipment, as well as in
rger sizes for industrial drives.
rogressive manufacturers are
pidly adopting it on many appli-
ces where dependable, continu-
s operation is the prime requisite.
slightly higher cost is well worth
e difference — especially on re-
igerating and heating equipment
here a breakdown can be costly.

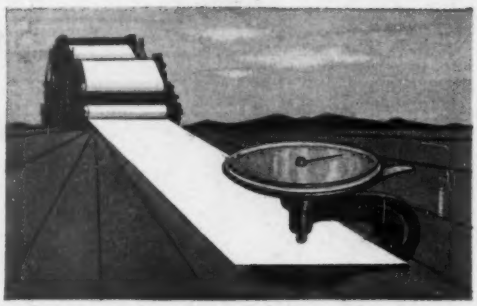
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OMPASS-V-STEEL belts — ask
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ng found all G.T.M.-specified
bber products. Goodyear, Akron
6, Ohio; Los Angeles 54, California.

Compass—T.M. The Goodyear Tire & Rubber Company

UMI

Test your word knowledge

of Paper and Printing



1. Caliper

- ☐ Machine for finishing paper
- ☐ Paper stock in the beater
- ☐ Thickness of a sheet of paper



2. Advertising Mascot

- ☐ A copy cub
- ☐ A trademark
- ☐ An advertising slogan



3. Feel

- ☐ A method of hand tooling
- ☐ Way of detecting irregularities in plates
- ☐ Paper quality as determined by touch



4. Typothetae

- ☐ A species of coniferous pulpwood
- ☐ Ecclesiastical manuscripts
- ☐ Printers

ANSWERS

1. Caliper is the thickness of a sheet of paper as measured under prescribed conditions. By careful control in manufacture, and by rigid laboratory testing, Kimberly-Clark maintains a close uniformity of caliper for Levelcoat*—a factor which contributes greatly to printability.

2. Advertising Mascot is a trademark which identifies a product for the buyer's protection. Such a trademark is *Levelcoat*—identifying a line of dependable printing papers.

3. Feel is the quality of paper as determined by touch. For printing paper with the feel of richness and high quality, many fine printers and important advertisers prefer smooth, lustrous Levelcoat Papers.

4. Typothetae are printers. And to all printers, advertisers, publishers, paper men—to everyone interested in finer paper for finer printing results—Kimberly-Clark wishes a very Merry Christmas and a most prosperous New Year.

Levelcoat* PRINTING PAPERS

If our distributors cannot supply your immediate needs, we solicit your patience. There will be ample Levelcoat Printing Papers for your requirements when our plans for increased production can be realized.

A PRODUCT OF Kimberly Clark RESEARCH

KIMBERLY-CLARK CORPORATION

NEENAH, WISCONSIN

*TRADEMARK



THEY'LL BRING IT TO YOU

As trucks become available again, customer services get rolling. In Eddystone, Pa., Stanley Merkel uses a Studebaker 1½-ton truck (above, left) for a candy store on wheels —the better to serve his school-children customers. In Dallas, Sanger Bros. makes draperies to order in one day in another Studebaker (right), which is outfitted as a workroom and parked at the customer's door. In Kansas City, Clemens Photographed Flowers delivers its ware greenhouse-fresh from an International truck (above, right) fitted with a Freon refrigerating unit. The firm name stems from another refinement: Each sender receives a free photograph of the flowers ordered as a gift.



Audited Weeklies

Country publishers, seeking national advertising and share in readership-studies, now are second largest A.B.C. group.

Weekly newspaper publishers are striking out for more postwar advertising dollars. As a first step, so many are joining the Audit Bureau of Circulation that only the daily publishers now outnumber them.

Thus the weeklies are catching up with the 32-year-old revolution that came to U. S. publishing in 1912 with formation of the A.B.C. Audited circulation reports then replaced publishers' claims, which sometimes were inflated to attract advertising dollars.

Over the years the A.B.C. has built a reputation so solid that its initials have come to be a guarantee of honest delivery of advertising messages.

• **Sudden Interest**—Somehow, most weeklies stayed outside for a generation. Now, 556 of them have enrolled, and applications are in from 147 others.

With the larger membership, weeklies are likely to attain a greater influence in the bureau. The A.B.C.'s directors next month will weigh a proposal to set up a division for country weeklies, now bracketed with newspapers. This would give the weeklies a seat on the board.

• **Percentage Still Low**—If weekly publishers reach their target of 2,000 members, they will outnumber the 1,117 dailies presently in the bureau. But even such a fat membership would mean that only 20% of nearly 10,000 weeklies in the U. S. and Canada were enrolled. Nearly half the dailies are in the fold.

The drive to join the bureau coincides with publishers' plans for the Continuing Study of Weekly Newspapers (BW —Nov.9'46,p54), which the Advertising Research Foundation has pilot-tested. The study will show how well subscribers read the weeklies.

• **Incentives**—Audited circulation has always been a boast of a few weekly publishers. In the last three years their number has grown nearly ten times. Besides wanting to attract national advertising, they have other reasons for joining A.B.C.:

(1) Under paper rationing, the weeklies found in A.B.C. audits a welcome excuse to prune heavy free-mailing lists.

(2) The basic qualification for the readership study is audited circulation.

(3) The A.B.C., in effect, has halved its membership fee for weekly newspapers.

• **Rates**—The reduction enables weeklies to join for a base rate of $26 a year. The regular base rate is $52 for annual audits. For the lower sum the bureau audits once every two years. Weekly circulations are so stable that annual checkups aren't considered necessary. These rates are for 2,000 or less in circulation. They climb 30¢ for each 100 more. For 5,000, which would be the top for all but a few U. S. weeklies, this figures to $30.50 a year if audits are every other year.

BATTERY PRICES SPIRAL

The shortage of lead has sent the price of automobile batteries skyward. Little relief is in sight for the next six to nine months at least. In many areas, storage batteries have about disappeared from the shelves of reputable dealers. New batteries which cost less than $10 wholesale and ordinarily retailed at about $15 now bring from $25 to $60.

When the price of virgin lead was increased recently from $8.25 to $11.80 a cwt., prices of many well-known batteries were raised. This won't help the supply much. Manufacturers of batteries for new cars are permitted to make only enough units to satisfy the new car requirements. Quotas of lead for replacement batteries are held to 86% of 1945 third-quarter allotments.

UMI



how's your output per salesman hour?



In the face of ever rising labor and material costs, American industry has kept its economic chin above water only by *mechanizing* production . . . by increasing output per man-hour.

Alert executives, technicians, methods engineers will, of course, keep right on sweating lower costs out of better methods of production.

But top management has to search elsewhere, too, if continuously lowered unit costs are to be realized.

We believe that the same techniques that management uses so successfully in making a profit by *mechanizing* production can be applied to today's imperative need for further *mechanizing* selling . . . for increasing output per *sales* manhour . . . thus reducing *the unit cost of sales.*

This thought-provoking subject is explored in detail in a recently published McGraw-Hill booklet, "When the Curve is UP." A copy is yours for the asking.

HIS BOOKLET has just one mission.

Recognizing the complexity of problems which are facing the American business executive today it asks:

Can advertising take over a heavier part of the load of achieving the low unit costs which are so essential to the maintenance of a high rate of employment and an increase in the high standard of living?

We believe that it can.

We, of McGraw-Hill, believe that one of [industry's] tapped profit potential lies in the field of dist[ribution]

We believe that the time is ripe for a restud[y] the degree to which well directed advertising [can] thus reducing the unit cost of making a sal[e]



When

2

AVAILABLE TO INTERESTED EXECUTIVES. *Simply call your McGraw-Hill man (or write direct to us) for a copy of the booklet "When the Curve is UP". We believe you will find it rewarding reading.*

McGRAW-HILL

PUBLISHING COMPANY, INC.

Headquarters for Industrial Information

330 West 42nd Street New York 18, N.Y.

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The McGraw-Hill Network of Industrial Communications

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Mechanizing Glass Plastics

New techniques are designed to make reinforced materials competitive with metals in assembly-line production. Automatic conveyor-belt process proposed for large preforms.

Reinforced plastics, already proven in many special applications (BW—Mar. 2'46,p46), are being developed for wider use. Industry technicians and suppliers are studying methods of cutting costs of the reinforced materials to make them competitive with metal stampings in mass-production fields.

Typical of the products in which such plastics are now used are boat hulls, furniture, station-wagon bodies, machine housings, and aircraft parts.

• **What They Are**—Reinforced plastics are of two kinds: (1) laminates built up layer by layer over a form; (2) plastic resins strengthened with fibers. Both provide high strength and light weight for large pieces that are complex in shape.

On short runs, these materials have notable production advantages: They do not require expensive tools and dies. But in large-scale production, the metal stampings still get the call because low-cost production-line methods have not been fully worked out for the plastics.

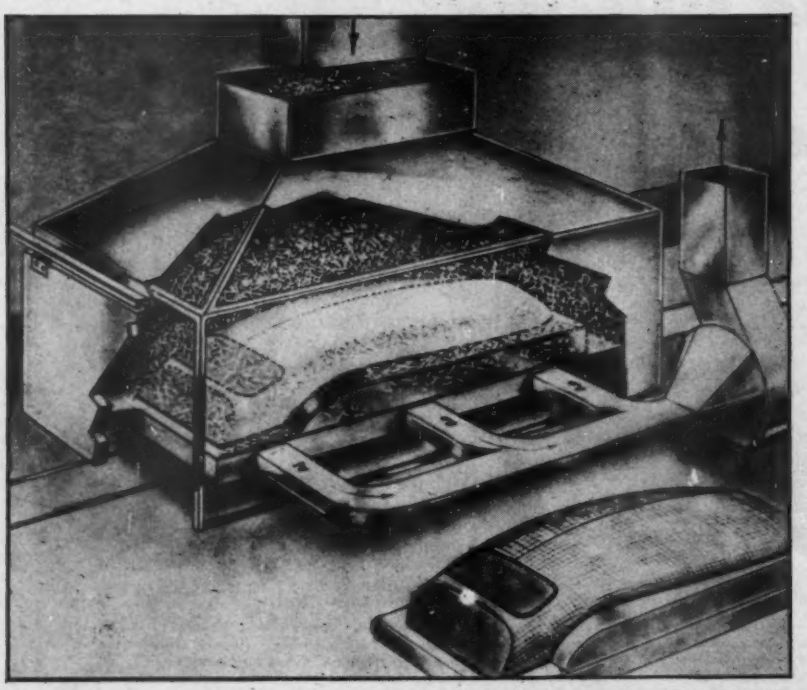
• **Tackling the Problem**—To help solve this and other problems the Society of the Plastics Industry has formed a low-pressure laminating division. This group circulates technical data and promotes exchange of information among producers. Its next annual meeting will be held at Chicago in late January.

Companies in the field are pushing their own research. One of them, Owens-Corning-Fiberglas Corp. of Toledo, is conducting a series of clinics to demonstrate new techniques. O.-C.-F. makes the glass-fiber reinforcement used in the plastics.

• **New Processes**—In its campaign to put the laminates into the high-speed, low-cost manufacturing field, O.-C.-F. is testing three main processes:

(1) Automatic production of large preforms of glass fiber materials.

(2) Fabrication of impregnated fibrous sheets that can be handled like sheet metal.



Now under test, one method of making plastic preforms for auto tops utilizes a suction unit which draws textile-like glass fibers into a forming chamber and onto a perforated metal form of the desired shape and dimensions.

(3) A rubber-plunger press method suitable for molding and curing the impregnated fibrous sheets.

• **Automatic Preforming**—To replace manual handling, O.-C.-F. engineers are testing a conveyor method. And instead of costly glass fibers formerly used, they propose to use the least expensive fibers.

In the continuous-belt method for making large preforms automatically, powdered resin is sprinkled on conveyor-borne glass fibers. The fibers are from ½ in. to 3 in. long. The mixture of fibers and resin is sucked up onto a perforated metal form of the desired shape. While it is held there by suction, a paper or cellophane separator is slipped over the assembly. The assembly is then placed in an oven and heated just enough to cause the resin to form a bond, so that the preform can be handled.

The last step is to place the preform in a mold built to the required final dimensions of the part. Additional resin is sprinkled or poured on. Molding to shape is then accomplished by a press with a flexible male or female mold. Final curing or heat-setting of the plastic follows conventional methods.

• **Fibrous Sheets**—Methods of manufacturing impregnated fibrous sheets are still undergoing considerable experimentation. Current solution is to presaturate a fibrous glass mat with polystyrene resin. The mat is then subjected to heat and pressure. Other impregnants also are being tested.

A test method of molding or shaping the impregnated sheets utilizes a steam-heated female mold and a male plug of Neoprene rubber. The plug is formed with a slight bulge on the bottom. As the press gradually closes, the bulge first makes contact with the area of the plastic sheet at the center of the female mold. As pressure continues, the bulge flattens out. Contact is made progressive-

More Aluminum Nails

The success of the aluminum roofing nail, developed to solve electrolytic corrosion problems which occurred when steel nails were used with aluminum shingles, has led eleven nail-making firms to research on conventional sizes.

• The corrosion resistance of the aluminum nail will be advantageous in other applications. Although there is considerable differential in the per pound price, the light weight of aluminum means more nails per pound. Aluminum nails can be made on conventional steel nail machines, but the insufficient supply of aluminum alloy wire may delay the introduction of a wide range of sizes.

No matter how well you build

Your Product

. . . if its performance depends on temperature or pressure control . . . that product can be no better than the controls with which it is equipped



WHITE-RODGERS ELECTRIC CO.

ST. LOUIS 6, MISSOURI

Controls for Refrigeration • Heating • Air Conditioning

How to control OVERHEAD

...in one easy lesson!

If you are one of those fortunate manufacturers whose products are still being absorbed by a seller's market, the probability of retrenchment is at the moment far from your mind. Right now, it's "how can we get more production, new items off the assembly lines and into customers' hands".

And the temptation to undertake new facilities, new plant, new machinery—and more employees, is a tough one to resist.

That buyers' market is just around the corner!

Maybe you are beginning to think about the selling job that's got to be done before long. Why not look even farther ahead to the point where that universally-looked-for adjustment period may have you paring down every possible cost to keep overhead from taking away your shirt.

It's not easy, or pleasant, to lay off faithful employees—employees you took on in your ambitious program to produce . . . produce . . . produce.

There's a remedy for that kind of headache!

Better still—it's not a remedy! It's a preventative that averts that headache. Why not turn that surge production—that extra model—those additional assemblies—over to a capable contract manufacturer. Then you can forget those troublesome building plans, the waiting for machinery, the taking on of new personnel.

That's been our meat for over 50 years!

We make things for many of America's best known "bigs" Many well known pieces of equipment bearing those "big" names, are actually made by Lewyt.

Would you like to talk with us about *your* headache? We may be able to offer a preventative—yes, even a cure. Why not "Let Lewyt Do It?"

* * *

Write on your business stationery for our illustrated brochure describing the Lewyt organization. Lewyt Corporation, Contract Manufacturing Division, 66 Broadway, Brooklyn 11, N.Y.

Lewyt

LET LEWYT DO IT

FOR MORE THAN HALF A CENTURY A CONTRACT MANUFACTURER, EXPERTLY STAFFED TO PRODUCE COMPLETE ELECTRONIC AND MECHANICAL ASSEMBLIES, COMPONENT PARTS, SUB-ASSEMBLIES AND METAL PRODUCTS, TO THE MOST EXACTING REQUIREMENTS



WHITE CHRISTMAS TIRE

The tire with white sidewalls, a wartime casualty, is inching back into production—though only for "experimental" purposes. At the B. F. Goodrich plant in Akron, Ohio, a tire builder (above) applies one of the 50 white sidewalls that OPA has allowed a manufacturer a month. They'll adorn a test driver's car.

---

ly with the sides, starting from the bottom and working toward the top. This action tends to squeeze out air bubbles and excess resin.

This plunger process has been used effectively in molding experimental box-like shapes from the fibrous glass mats.

• **Mechanization Is Vital**—High-speed assembly-line methods must be perfected before mass production with the reinforced plastics is practicable. Games Slayter, vice-president of research and development of O.-C.-F., made this point to automotive men at a recent session of the American Society of Body Engineers.

He told of his company's experience in producing a glass-fiber plastic chassis for the Stout 46 auto (BW—May4'46, p28). On the basis of that project, he predicted:

(1) Glass-reinforced plastics would first enter the automotive field in the manufacture of custom-built cars, where tooling is a major element of total cost.

(2) Development of mass-production techniques would widen potential applications.

COFFEE IN CRYSTALS

A high-vacuum, low-temperature process is being used by National Research Corp. of Boston to produce instant

reamlining Mr. Ampere's highway



Varacky and Catharine Setar
& H Associates, Plant No. 7

Extra values through

JACK & HEINTZ

Mass Precision

The Winding of an electric motor consists of many turns of copper wire which are wrapped around magnetic poles. In most fractional horsepower motors, these windings are made from as many as four sets of coils, spliced together. To eliminate these splicing operations, Jack & Heintz engineers developed an ingenious form by which an entire motor winding can be wound with one continuous wire. As a result, Jack & Heintz precision motors are flowing faster to a world that's yearning for new appliances.

By *mass precision* methods like this, Jack & Heintz is producing *extra values today* in motors, bearings, aircraft accessories, Eisemann magnetos and refrigeration compressors, and is developing other revolutionary products for *tomorrow*.

JACK & HEINTZ PRECISION INDUSTRIES, INC., *Cleveland 1, Ohio*



BEAUTIFUL BAHA'I TEMPLE



TOWERING HIAWASSEE DAM



FAMED PENNSYLVANIA TURNPIKE

All three are built of enduring CONCRETE

Concrete, the structural plastic, is the most versatile of construction materials. With concrete, architects mold beautiful temple domes; engineers design the rugged mass of towering dams; highway officials construct multiple-lane roads and streets for the nation's traffic arteries.

With all of its hundreds of uses on the farms and in the cities, concrete offers the advantages of rugged strength, weather-resistance, firesafety, long life and *low annual cost,* the true measure of economy in construction.

May we cooperate with your architects or engineers in applying the economies of concrete to your building plans?

PORTLAND CEMENT ASSOCIATION

Dept. 12c-12, 33 West Grand Ave., Chicago 10, Ill.

A national organization to improve and extend the uses of concrete . . . through scientific research and engineering field work

coffee. The method, first applied to wartime medicinals, reduces freshly brewed coffee to fine-grained crystals. (Most present soluble coffees are in powder form.)

National Research has the process in pilot-plant stage. Its product is said to be instantly soluble in hot or cold water. Unusual retention of rich flavor is claimed. Plans are ready to distribute the new product soon in a few retail outlets throughout the country.

Use of Cyclewelding Will be Expanded

The joining process known as Cyclewelding, developed in wartime secrecy by Chrysler Corp. and Goodyear Tire & Rubber Co. (BW—Jun.12'43,p78), is ready for a major enlargement. Chrysler is building a new $1,300,000 plant at Trenton, Mich., to produce the adhesive used in the process. And its third-quarter financial statement lists "Cycleweld products" along with its other automotive and industrial activities.

• **To Sell Formulas**—Construction of the new plant is proceeding slowly because of materials shortages. It is unlikely, therefore, that any production will be rolling before mid-1947. Formulas will be sold thereafter to outside companies. But a substantial share of the plant's output will be used by Chrysler in its car-making activities.

Basically, Cyclewelding falls into the category of a cement. It is formulated of a phenolic substance with synthetic rubber resin, brushed or sprayed onto the surfaces to be joined. The pieces are then held together under pressure and heat, sometimes only pressure.

• **An Unusual Strength**—Bonds much stronger than those obtained with ordinary cement are reported by the makers. The joint's strength, however, is not in the same class as those of actual metal welds. The Cyclewelding compound can be used to join metals and nonmetallic materials, in almost any combination.

Chrysler's most important use of the process is joining brake linings to brake shoes, replacing riveting. The motor company also is highly interested in using Cyclewelding to bond together sandwich-like laminations for insulation. Plates of light metal are joined together with an inner section like cork or sponge.

• **Use in Refrigeration**—Such laminated plates have obvious application in refrigeration, in which Chrysler's Airtemp Division, in Dayton, is interested. Possibly they could be used in prefabricated housing as well. Other companies also are known to be considerably intrigued with Cycleweld for commercial refrigeration and other applications.

UMI



Sales Promotional Films

... another important function of photography

As YOU SEE the way in which more and more manufacturers trust important selling to motion picture and slide films, the conclusion is clear: *here is a superior advertising medium* . . . colorful . . . convincing . . . resultful.

Resultful because sales promotional films are showmen in the finest, most exciting sense of the word. Their unequalled combination of pictures, motion, color, and sound stimulates prospects to "obey that impulse"... and buy now.

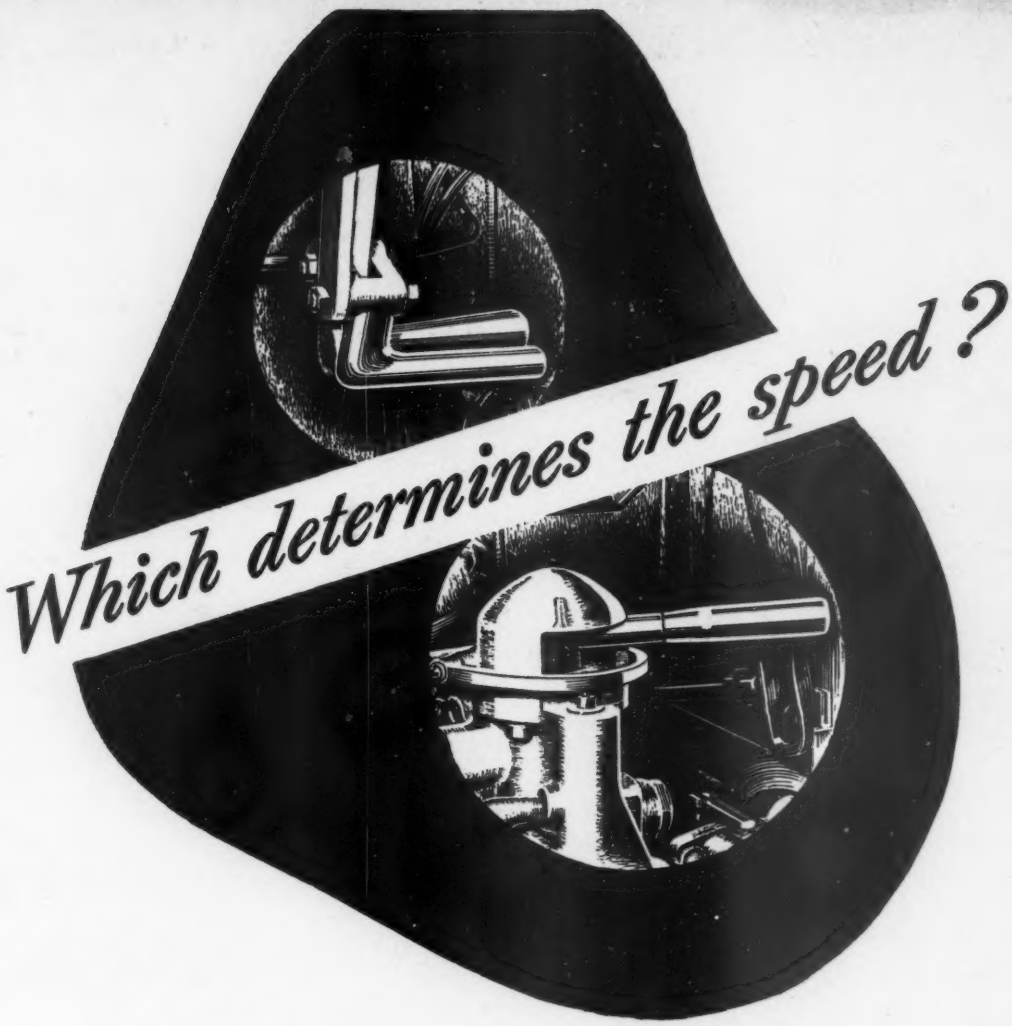
Good "salesmen" always — now even better. During recent years, there have been tremendous improvements in production technic, projection equipment, and distribution methods. As a result, today's films are the most productive ever...

As they have done for others, they'll produce for you, too . . . fast. So see a commercial producer about getting one of your own started now.

Eastman Kodak Company
Rochester 4, N. Y.

Kodak

UMI



the throttle . . . or the brake?

To generations of Americans who have thrilled to see the trains go by, the throttle is the symbol of speed. But any railroad man will tell you that the thing that really determines the speed is the brake! How fast the train can safely *go* is established by how quickly it can *stop*.

For 76 years Westinghouse Air Brakes have been helping railroads to handle longer, heavier and faster trains . . . with safety. These advances in rail transportation were made possible by progressive developments in brake equipment. Improvement in performance has been remarkable . . . but even more remarkable is the fact that the modern brakes work in harmony with their predecessors on other cars in the train. All railroad rolling stock has been kept continuously available, throughout the conversion periods when the new brakes were being added.

Whatever tomorrow may bring in the way of improved rail service, there will be a Westinghouse Air Brake ready to meet the braking needs.



This is the 100th anniversary of the birth of George Westinghouse. His first important invention—the air brake—has been hailed by an outstanding railroad executive as "the greatest single contribution to railroad progress."

Westinghouse Air Brake Co.

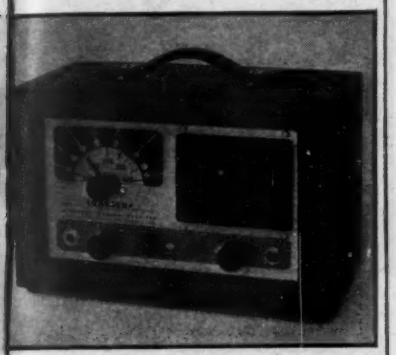
WILMERDING, PA.

EW PRODUCTS

ersatile Radio Receiver

A versatile radio receiver operating on ther a.c. or d.c. is a product of Elec- nic Specialty Co., Los Angeles. med Ranger Model 118 Portable, the ceiver operates on both long-wave as ll as broadcast bands. This includes craft and marine-beacon frequencies, dio range stations, airport control wers, and other radio services.

For aviation service Ranger operates a range receiver, using either ear- hones or speaker. For marine use, the



t is equipped with a built-in low- npedance loop for taking bearings on ither marine-beacon or broadcast band tations. Accuracy within two degrees is laimed.

Life of dry batteries is prolonged by echarging which can be done while the eceiver is in operation on a.c. or d.c. *Availability: immediate delivery.*

iny Condenser

Midget condensers, about one-third he size and weight of conventional nes, are being produced by Solar Mfg. Corp., 285 Madison Ave., New York City. Designed to fit into new ultra- ompact electronic devices, the new apacitors employ a self-healing metal- ized paper construction.

In place of the customary aluminum oil, Solite condensers have a thin metal- ic coating deposited on the paper. The paper serves as the dielectric. Should a weak spot develop in the paper, the resulting discharge deposits aluminum oxide as an insulant in the fault, thus removing the weakness.

Availability: immediate delivery in limited quantities.

Solenoid Valve

Designed for small capacity equip- ment involving the use of Freon, methyl chloride, water, air, oil, or gas, the SV-11 solenoid valve reportedly pro- vides low current consumption and

Adventures of Doc. Steelstrap*

*REG. U.S. PAT. OFF.



A lot of the romance—and a lot of the danger, delay and loss—has gone out of the logging business. A bundle of 65 prospective telephone poles strapped together ride a truck to the river bank, then float downstream to the mill.

Lemon peels for mincemeat travel in these cases. ACME STEELSTRAP eliminates nailing the cover on the case — no chance for nails or wood splinters to get into the lemon rind.

LOGS or Lemon Peel

Both "bound to get there!"

says Doc. Steelstrap

Whatever it is, any shipment travels better when it is bound in steel with ACME STEELSTRAP or UNIT-LOAD BAND. For the details on how much you can save — in time, labor, materials, shipping costs — call or write the Acme office nearest you.

ACME STEEL COMPANY

ACME STEEL CO. CHICAGO

NEW YORK 7 ATLANTA CHICAGO 8 LOS ANGELES 11

MEMORANDUM

TO MANAGEMENT

Probably no other correspondent, certainly no other Business Week foreign correspondent, pays his rent to a stranger landlord than Robert Magidoff of Business Week's Moscow bureau. Mr. Magidoff pays his rent (with disarming regularity) to the Russian Foreign Office.



It was there that he met Business Week's foreign editor John Chapman in 1939. Chapman had called in at the Foreign Office for leads to a newsman-on-the spot for Business Week coverage of Russian industrial developments. And it was Magidoff's Associated Press card, produced when he paid his rent, respects and rubles, that provoked the conversation leading to arrangements for Magidoff to 'cover' for Business Week upon termination of his AP commitments.

Had Robert Magidoff been addicted to crystal-gazing, he might perhaps have predicted that it would not be until nearly six years later that those plans could be fully consummated. As it was, the only prediction he made then, or in the years that followed, was that Russia would not lose in a war with Germany.



Possibly his ability to predict correctly stemmed from his closeness to the physical side of war. In any event, when war came to Russia, Magidoff accepted an assignment as a commentator for the National Broadcasting Company for whom he made fourteen prolonged trips to the front. "There," he said, "I talked with everybody from Marshal Zukov to a soldier camel-driver at Stalingrad."

Of his more than one thousand broadcasts for NBC, one was the first eyewitness account of the flow of American lend-lease materials into Russia from Iran.

It was not until Magidoff returned to America for a visit in 1945, that Business Week's foreign editor was able to complete arrangements for resumption of a full business-news service from Moscow.

At that time, when asked what incident he considered had been most interesting during the years that had elapsed, he elected an extensive trip through Russia with Eric Johnston, former chief of the U. S. Chamber of Commerce. As one of four men assigned by the Russian State Department to accompany Mr. Johnston on the journey throughout Western Russia, the Urals, Siberia and Central Asia, Magidoff found himself in what he terms a "very satisfactory position."



"As the only one of the four who spoke English," said Magidoff, "I was able, without censorship, to discuss at length with Mr. Johnston, economic and industrial developments of the countries through which we passed. I learned," he added, "a great deal about American industry, but even more about what American businessmen need to know of Russian industrial trends."

One of Magidoff's recent Business Week articles of particular interest was his story on the men behind the powerful Politburo, and his forecast of possible successors to Stalin. This first clear picture of the Russian internal organization was followed by similar articles in other magazines.

Readers can continue to expect in Business Week, more 'first news,' from 'Magidoff in Moscow.'

Paul Montgomery

PUBLISHER

No. 8

silent operation. The valve, manufactured by Henry Valve Co., 3260 W. Grand Ave., Chicago 51, is incorporated in a standard outlet box ready for mounting. The coil can be removed and replaced without disturbing electrical connections to the thermostat or other electrical devices. It is supplied in 115 v. and 230 v., both 60 cycle.

Availability: delivery in 30 days.

Protective Label

A "self-destroying" label designed to prevent removal from a genuine product and replacement on substitute mer-



chandise is offered by Avery Adhesive Label Corp., 26 W. Union St., Pasadena 1, Calif. Features claimed for the new label are adhesiveness without moisture to any smooth, clean surface, and easy removal without leaving a mark. The label can be removed only in strips, thereby eliminating the danger of re-use.

Availability: delivery in three to four weeks.

Paper Tape Recorder

A new magnetic recorder, the product of Indiana Steel Products Co., Valparaiso, Ind., records on tape coated with a



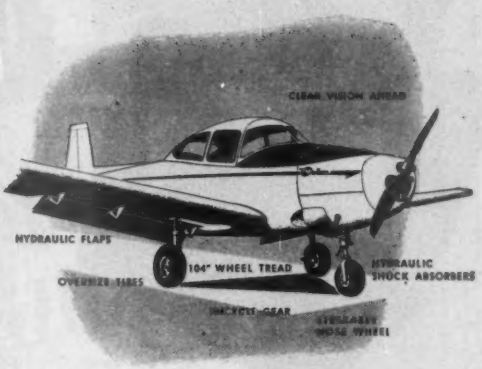
special ferrous-base paint. This Hyflux tape is said to have excellent magnetic properties. The manufacturers claim economies through the use of coated paper instead of wire. The reduced cost of the 30-lb. recorder itself, made possible through simplicity of design, is expected to make the instrument suitable for personal as well as business use.

Another claimed advantage is ease of editing, as the tape can be spliced with cellulose tape. The plain paper backing

Make out-of-town calls in hours, not days...

IN THIS PRACTICAL 4-PLACE PLANE

With the *Navion's* 150 MPH cruising speed, you can write your own timetable on business trips. Pick your own non-stop destination as far as 500 miles away. Then, take the wheel...and *just drive.* Your easy-to-fly North American *Navion* is the practical plane for safe, efficient air transportation. Four people can ride in sedan comfort with ample luggage—or owner-pilot may carry 645 lbs. of cargo. CAA Approved Type Certificate No. 782. Standard Model—$6,100 flyaway-factory.



EASIER TO LAND—On your demonstration flight in the all-metal *Navion* you'll discover that it virtually lands itself!



For fully illustrated brochure and name of dealer near you, write Dept. B-8, North American Aviation, Inc., Municipal Airport, Los Angeles 45, California.

Navion



NORTH AMERICAN AVIATION INC.

CREATORS OF P-51 MUSTANG AND ADVANCED ARMY AND NAVY AIRCRAFT



with Carpenter Stainless
FOR PRODUCT IMPROVEMENT

There was a time when a manufacturer of automatic sprinkler systems was faced with a double-threat cost and servicing problem.

On the assembly line, slight amounts of moisture would corrode his cast iron mercury check valves. And servicing costs on finished installations were too high. The mercury which starts the sprinkler systems would become "blended" with impurities in the iron . . . and only "clean" mercury could provide unfailing protection against fire.

So now—to guard against corrosion and high servicing costs—and to keep fabricating costs in line, this manufacturer uses Carpenter Stainless No. 5 *throughout.* And the results have really been worthwhile . . . no more corrosion problems, greatly reduced servicing costs and much happier customers.

Whether you want to overcome corrosion, solve a servicing problem or cut Stainless fabricating costs, take it up with your Carpenter representative. His experience will bring a quicker solution to your Stainless problems.

THE CARPENTER STEEL COMPANY, Reading, Pa.

Carpenter
STAINLESS STEELS

. . . for
Strength
Rigidity
Heat Resistance
Corrosion Resistance
Longer Product Life
Sales Appeal

BRANCHES AT: Buffalo, Chicago, Cincinnati, Cleveland, Dayton, Detroit, Hartford, Indianapolis, New York, Philadelphia, Providence, St. Louis

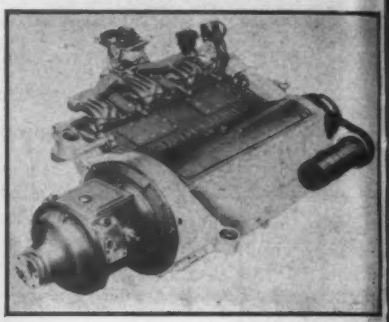
of the magnetized surface is said to provide insulation, and to prevent sound magnetized on one layer from being transferred to adjacent layers. The recorder, which operates at 8 in. per sec., reportedly has excellent fidelity at frequencies up to 6,000 cycles.

Availability: one year.

Marine Engine

A new horizontal-design marine gasoline engine is announced by Fageol Products Co., Kent, Ohio. The six-cylinder engine, developing 225 hp., weighs one-third less than conventional marine engines of the same output.

Full counterbalancing reportedly eliminates engine vibration. With exception of the block and head, aluminum alloy construction is used throughout the engine, which weighs 965 lb. It is claimed that the patented combustion chamber allows higher compression ratios without increased bearing loads Hand-removable cylinder sleeves, an overhead camshaft, and a dual idler sprocket adjuster are included among easy-maintenance features. The engine can be mounted vertically, if desired.



Availability: delivery in 90 days

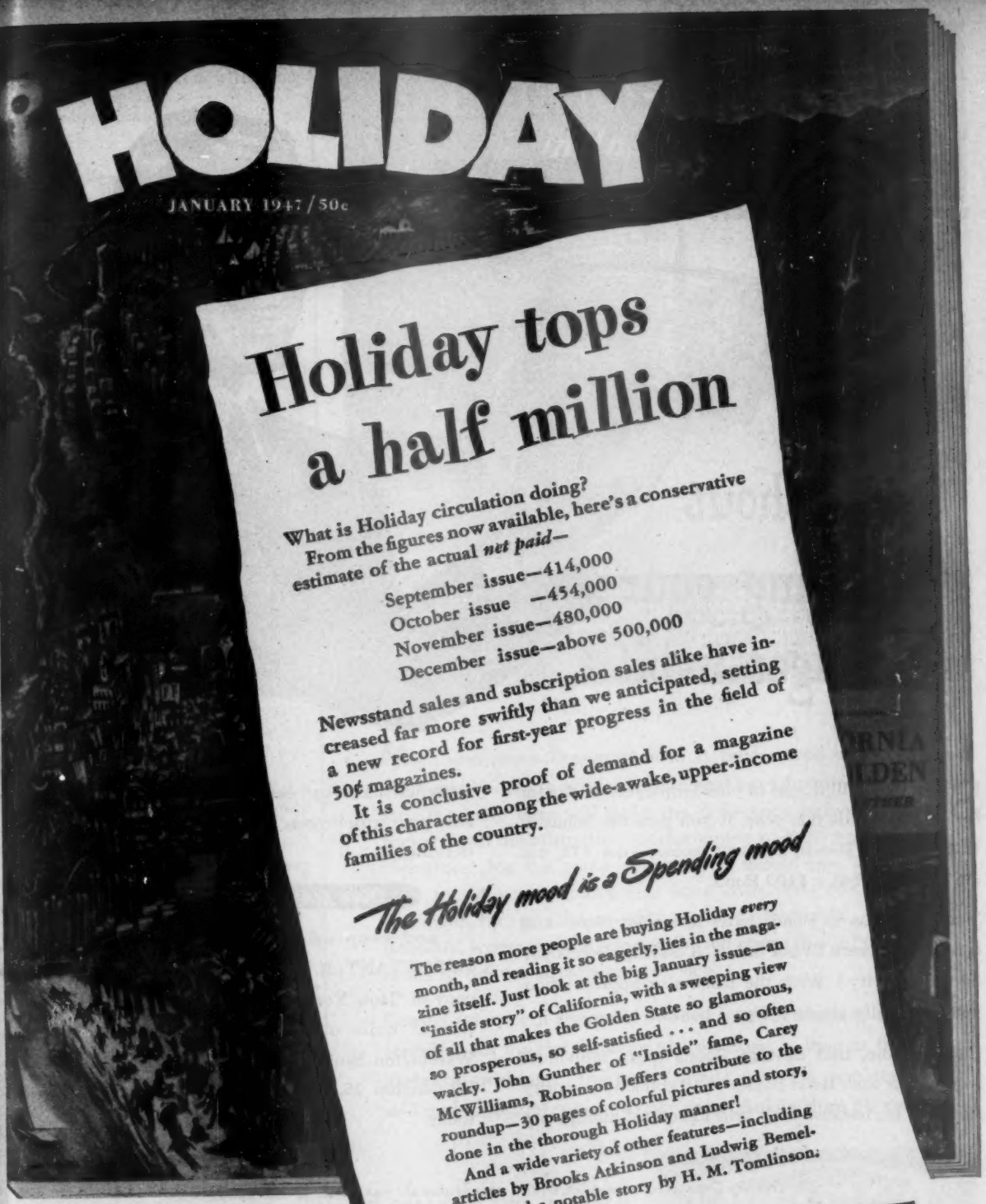
Lightweight Vise

To make handling of small parts and pieces easier and safer for bench and production jobs, Chicago Tool & Engineering Co., 8383 S. Chicago Ave., Chicago, has introduced a new aluminum hand vise. Known as Palmgren No. 15, it is designed for use by tool and die makers, manufacturing jewelers, metal and wood workers, and others handling small pieces. Weighing 7 oz., the vise utilizes aluminum jaw faces to prevent marring of the work.

Availability: immediate delivery.

Stamped Blower Wheel

Resistance welded, five-piece construction is featured in a new blower wheel, just announced by Utility Appliance Corp., Los Angeles. The blower blades are stamped from continuous steel strip, the width being proportioned to each wheel diameter. Optimum performance



Holiday tops a half million

What is Holiday circulation doing? From the figures now available, here's a conservative estimate of the actual *net paid*—

September issue—414,000
October issue —454,000
November issue—480,000
December issue—above 500,000

Newsstand sales and subscription sales alike have increased far more swiftly than we anticipated, setting a new record for first-year progress in the field of 50¢ magazines.

It is conclusive proof of demand for a magazine of this character among the wide-awake, upper-income families of the country.

The Holiday mood is a Spending mood

The reason more people are buying Holiday *every* month, and reading it so eagerly, lies in the magazine itself. Just look at the big January issue—an "inside story" of California, with a sweeping view of all that makes the Golden State so glamorous, so prosperous, so self-satisfied . . . and so often wacky. John Gunther of "Inside" fame, Carey McWilliams, Robinson Jeffers contribute to the roundup—30 pages of colorful pictures and story, done in the thorough Holiday manner!

And a wide variety of other features—including articles by Brooks Atkinson and Ludwig Bemelmans, and a notable story by H. M. Tomlinson.

HOLIDAY — INDEPENDENCE SQUARE — PHILADELPHIA 5, PA.

How to give a Bigger Bonus



...without budging your budget a bit!

SUPPOSE Bill S., one of your employees, is due for a $75 bonus this year. If you give the bonus in U. S. Savings Bonds, Bill will receive—not $75, nor a $75 Bond—but a *$100* Bond.

Yes, the bonus in Bonds looks like a lot more—and it *is* more. (Every $3 put into U. S. Savings Bonds pay $4 at maturity.) With the same size appropriation, you're actually giving a bigger bonus.

Consider, too, that Savings Bonds mean individual security for each Bond-holder—and collective security for all of us, because they help to control inflationary tendencies. You can easily see that you're doing yourself, your employees, and your country a favor by deciding to...

Give the BONUS in BONDS

...and keep up your Payroll Savings Plan!

IMPORTANT: If you have not already received your copy of "How You Can Help Give Free Enterprise a Boost," write on your letterhead to: Room 750, Washington Building, U. S. Savings Bonds Division, Washington 25, D. C. Limited supply. Please write today.

The Treasury Department acknowledges with appreciation the publication of this message by

BUSINESS WEEK

This is an official U. S. Treasury advertisement prepared under the auspices of the Treasury Department and The Advertising Council.

is claimed as a result of aerodynamically determined blade angles and spoke curvature. Dual drive distributes wheel weight close to the bearings, reducing shaft and bearing loads.

Availability: immediate delivery in certain sizes.

Scale Replicas

Triometric Engineering Co., 1131 Wolfendale St., Pittsburgh 12, announces a new set of scale models of machines and equipment for planning plant layout. Scaled ¼ in. to the foot, the models are available in scale replica of standard equipment, or of special machines.

Triometric two-dimensional templates are also available. They show all clearances required under extreme operating conditions of the machine as well as other pertinent data required by the planning engineer.

Availability: standard moldings, two weeks; special moldings, six weeks.

Welder Plus Booster

Fleet-Arc, a new a.c welder available in 200, 300, and 500 amperage ranges, is the product of Lincoln Electric Co., Cleveland 1. Main feature of the welder is an "Arc Booster," which augments the current the instant the arc is struck. The arc is started automatically when the electrode touches the work. This is accomplished without the use of special high frequency devices or high voltage.

Continuous and self-adjusting current control is provided by a reactor which is held in position by cone brakes and actuated by a self-cleaning chain drive. Thermostatic control opens the magnetic starter when overloaded, providing a high degree of self-protection for the operator.

Availability: delivery in 30 to 60 days.





In the day of right-hand drives and high-pressure tires, compressor manufacturers already depended upon Thermoid for flexible, durable air hose.

Contrast such old time equipment with this modern two-range portable compressor unit capable of inflating tires at 80 to 100 lbs. pressure or charging pneumatic landing gear struts at 1500 to 2000 lbs. pressure. One Thermoid super high pressure air hose serves both pressure ranges.

More and more Thermoid hose is being used as original equipment because original equipment manufacturers realize that Thermoid hose will make the difference between satisfactory and unsatisfactory performance of their equipment. Therefore, for the same reason, you should use Thermoid hose to cut your replacement hose costs. You can rely on Thermoid for any hose—air, welding, hydraulic, oil and gasoline, water, suction, creamery and many special purpose hoses to deliver satisfactory service.

Consult your local Thermoid Jobber or direct factory representative for the right solution to your hose, belting or friction material problems. Thermoid brings you the engineering skill and industrial rubber experience of more than 60 years.

THE THERMOID LINE INCLUDES: Transmission Belting • F.H.P. and Multiple V-Belts and Drives • Conveyor Belting • Elevator Belting • Wrapped and Molded Hose • Sheet Packings • Industrial Brake Linings and Friction Products.

Thermoid Rubber

DIVISION OF THERMOID COMPANY

Contributor to Industrial Advancement Since 1880

Broader Insurance Investments

Life companies direct their policy reserves into new fields in effort to bolster falling returns. Major targets are personal and corporate loans and real estate projects.

Three factors primarily determine the net cost of a life insurance policy to its holder: (1) the mortality rate among the policyholders, (2) company operating costs, and (3) the rate of earnings on investable funds, or policy reserves.

In recent years, despite the sharp rise in costs and wages, the nation's life companies have managed to hold their operating expenses at "normal" levels. The mortality rate among policyholders has been favorable. And rather substantial nonrecurrent profits, derived from the sale of real estate and securities, have bolstered income.

Investment income, however, presents a drastically different picture. For more than a decade the net rate of interest return on invested policyholder funds has been persistently drifting lower. Last year the rate slid to another new low of 3.07%, compared with 3.19% in 1944, 1939's 3.70%, some 5.25% in 1925, and about 4.50% in 1900.

• **Lesser Step**—This drop poses serious problems for the life companies. Investment income provided almost 21¢ of each $1 of last year's total revenues. And even a rise of only 0.5% in the rate of return actually would have hiked their 1945 investment return some $200,000,000.

To help offset this trend many companies have been cutting the rate of interest in policies sold. This forces new policyholders to bear part of the blow. Some years ago a 3.50% rate was in common use. This has since been lowered not only to 3.00% generally but in many cases to as little as 2.75% and 2.50%.

But such moves won't solve the problem. No one is more aware of this than the life companies.

• **New Investments**—Some time ago, in fact, the companies realized they would have to broaden their future lending policies and place less dependence on what had been investment standbys. Ever since, they have been busily searching out new fields for more profitable investment of their policy reserves.

They have taken many and varied steps toward this goal. Insurance company purchases of new corporate securities direct from the borrower have increased sharply. Avidly solicited now are corporate loans of a type once exclusively handled by the commercial banks.

In real estate, millions of dollars of policyholder reserves have been successfully invested in housing developments. Office buildings, too, are becoming a target in the search for acceptable investment mediums. And at least one company is reviving once-profitable loaning facilities that have been allowed to deteriorate in recent years.

• **Causes**—Two principal causes of the recent steady downtrend in investment income are:

(1) The easing of money rates. This has caused a persistent drop in interest return on the higher-grade corporate securities that insurance companies must hold.

(2) The various readjustments necessitated in investment portfolios in recent years by changes, war-created and otherwise, in the national economy.

Because of these changes U. S. Government bonds, which offer only 2.50% and less, had risen to comprise 46% of all life company assets by 1945, compared with less than 2% in 1930. In the same period, the ratio of real estate mortgage holdings, once a handy "sweetener" of investment income, fell from more than 40% to less than 15%.

• **Two Solutions**—To increase its income, New York's Mutual Life Insurance Co., one of the Big Five, has been taking steps to rebuild the volume and profits of its once lucrative personal loan department. It has recently been offering to make policy loans at interest rates that are set sharply under the level of its previous charges (BW—Aug.31 '46,p66).

No other leading company has emulated Mutual's move. But the trade, generally, has lately been assiduously expanding purchases of new security issues direct from buyers. This tends to raise the return from their stock and bond portfolios through the saving of middleman and other charges (BW—Dec.14'46,p80).

• **One Result**—This is one trend that may have permanent repercussions. And



RUSH HOUR ON THE FINANCIAL LINE

Bankers Trust Co., New York, resorted to assembly-line techniques to help American Telephone & Telegraph with one of the biggest financing jobs ever undertaken by a private corporation. It involved a $343,087,700 bond offering with subscription priorities going to 690,000 holders of A. T. & T. capital stock. To handle the task, Bankers Trust, as agent, recruited 236 officers and employees, took over two floors in a nearby building. During the four-week operation there were up to 14,000 mail transactions daily; 58 forms employed totted up to more than 3 million pieces of paper before the finish.



Smart shoppers use the 'YELLOW PAGES' in the Telephone Directory

Here's why: To get the answers to many of their daily buying problems.

Housewives use the 'yellow pages' constantly to find local dealers of branded products and authorized servicemen; purchasing agents to find the nearest sources of supply; businessmen to get helpful buying information.

The 'yellow pages' save time and trouble for millions—day and night, in homes, offices, factories and at telephone pay stations. For years, it has been America's favorite buying guide.

AMERICAN TELEPHONE & TELEGRAPH CO. AND ASSOCIATED COMPANIES — BELL SYSTEM

REGISTRATIONS *SHOW* IT—OPERATORS *KNOW* IT!

"FORD TRUCKS LAST LONGER!"



ONE big reason—

FORD ALL-WEATHER FAST WARM-UP

Ford trigger-fast engine starting often amazes first-time owners. It's mighty satisfying, but not nearly so important as Ford *fast warm-up!* Water does not circulate through the radiator until the engine is well warmed. This speeds the heating of water, cylinder block and oil. Hot exhaust gases are used to heat the intake manifold, speeding vaporization of fuel and minimizing crankcase oil dilution. Both these features reduce wear on cylinder walls, pistons, rings, bearings and valve mechanism. Yes, winter is tough on any truck, but Ford Trucks are engineered to take it.

Ford



The ever-popular Ford Half-Ton Panel —a 7½ foot body, with exceptionally low loading height (24½ inches).

ONLY Ford Trucks offer you *ALL* these long-life features: your choice of two great engines, the 100-H.P. V-8 or 90-H.P. Six—Flightlight aluminum alloy 4-ring oil-saving pistons —weatherproofed, Hi-Volt ignition—full pressure lubrication—axle shafts free of weight-load, even in light duty units—heavy channel section frames, *doubled* between springs in heavy duty models—big brakes, with non-warping, score-resistant cast drum faces—all told, *more than fifty* such examples of Ford endurance-engineering.

No wonder that Ford Trucks Last Longer! No wonder that 7 out of 11 of all Ford Trucks built since 1928 are still at work! No wonder the average age of all Ford Trucks on the job is nearly 9 years! And no wonder your Ford Dealer is calling for ever-increasing truck production schedules in Ford factories! See him now and get *YOUR* order in!

FORD TRUCKS

MORE FORD TRUCKS IN USE TODAY THAN ANY OTHER MAKE

it's not entirely the insurance companies' fault that because of the trend Wall Street's security underwriting fraternity lately has suffered a substantial loss in potential commissions.

Some 18 months ago louder-than-usual grumbling over the diminishing return on capital began to be heard in insurance circles (BW—Apr.21'45, p118). T. I. Parkinson, head of Equitable Life Assurance Society, which owns over $3 billion of corporate securities, even went so far as to warn investment bankers. The prices they were asking for new long-term bonds he said had finally become too rich for his company.

• **Followup**—Even more pertinent action followed that warning. Insurance companies started giving the cold shoulder to more and more new offerings. And they began bypassing Wall Street to intensify their direct purchases of new issues. This very definitely hurt, since the large life companies have comprised the new-issues market's biggest standby.

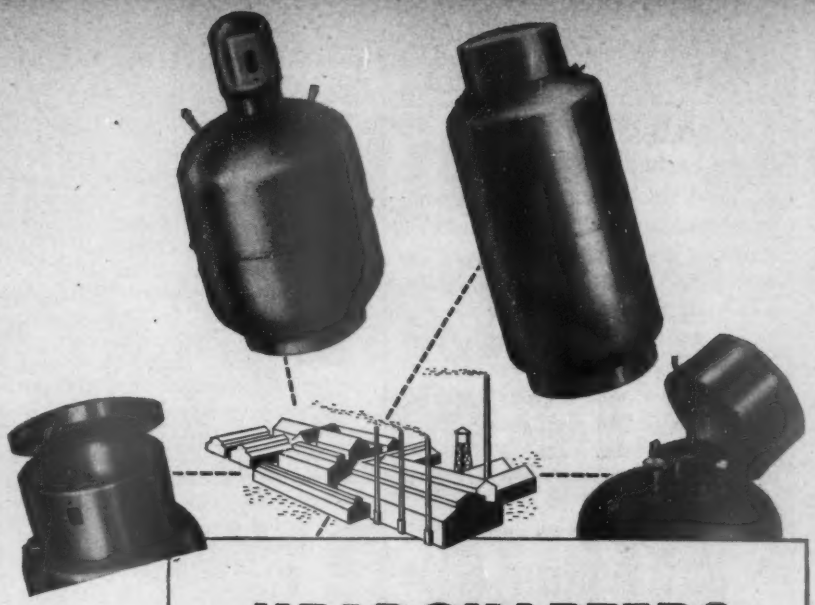
Particular targets of this "strike" were new issues sold to underwriters in competitive bidding contests (BW—Mar. 23'46,p78). But this didn't faze a number of big operators. Despite what was happening they still kept bidding higher and higher for new securities. And their fervent desire to outbid competitive underwriting houses, whatever the cost, is largely responsible for the stagnation noticeable in the new-issues arena since early last summer (BW—Dec.7'46, p111).

• **Corporate Loans**—Besides engaging in direct purchase of corporate securities, some insurance companies have been experimenting with a phase of loan activity that may later make them an active competitor of commercial banks.

In their search for "satisfactory" yields they have even been making both unsecured long- and short-term loans to corporations enjoying good credit standing. Equitable Life, for example, recently agreed to grant Commercial Credit Corp., one of the leaders in consumer credit, an unsecured, $35,000,000, 5-year loan at 1¼%. According to C.C.C. this was negotiated on attractive terms—"without any commission" or need to maintain the "compensating balances" commercial banks generally demand of borrowers.

• **Housing**—Corporate loans of one type or another haven't been occupying all the time of insurance company investment officials. In recent years they have also directed a large part of their total investable funds into housing developments (BW—Jan.5'46,p62).

Particularly active in that field has been the Metropolitan Life Insurance Co. Some observers, in fact, expect Metropolitan in time to become the world's largest apartment-house opera-



HEADQUARTERS
for L-P Gas Cylinders of every type



Pressed Steel Tank Company has long made a complete line of L-P Gas Cylinders. They have been furnished with various types and combinations of openings, and with removable type of valve protection cap, permanently installed collar and removable hood—from small 5-lb. propane industrial type cylinders up to and including 420 lb. propane (500 lb. butane) capacities.

These cylinders, especially designed for the storage and transportation of propane and butane, have been preferred by L-P Gas producers since the beginning of the industry. This preference is due to the superiority of Hackney design and construction . . . minimum seam area, X-ray controlled welding, advanced heat-treating, special cold drawing process as well as Pressed Steel Tank Company's 40-year-old experience in the manufacture of containers for gases.

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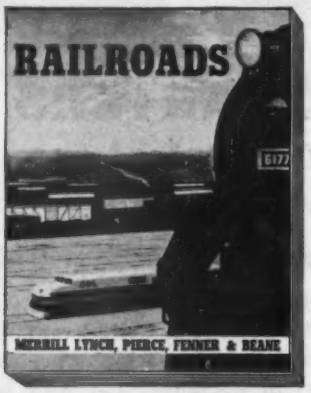
CONTAINERS FOR GASES; LIQUIDS AND SOLIDS

Advertisement

WALL STREET

RAILROADS: Green Light Ahead?

The U. S. rails remain the steel crossbeams on which our national existence, safety and unity depend. The development of American railroading is an inspiring story . . . a story of brawn and brains which have combined to make our rail system the most efficient in the world. Today's number one question: Can profits keep ahead of rising operating costs? Rail transport is an expensive operation. For example, one new diesel locomotive



NUMBER ONE PROBLEM: Costs vs. Profits

costs around $450,000 and prices are rising.

Competition & Competition: Rail men not only have to fight the battle of rising costs vs. profits but must take the measure of growing competition. Barges, ships and pipe lines are out after bulk freight and are getting their share of the business. The airlines, busses and private automobiles landed a body blow to the rails' passenger business before the war and the situation has bettered little since. Hope is that new equipment and better service will brighten the picture.

Securities: U. S. rails are the most heavily capitalized of any American business, securities ranging from top-grade bonds to highly speculative stocks. Investors will want to study all available facts* before determining the attractiveness of such securities for investment purposes.

*A copy of "RAILROADS," newest of Merrill Lynch surveys, may be had without obligation. Just address request to: Dept. "BW" Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

tor (excluding governmental agencies), as well as the world's largest life insurance company.

Probably because of the success it has enjoyed thus far in such undertakings, the company has finally turned its attention to another branch of real estate. In New York City it is now ready to build and operate an office building to determine the returns possible through use of this new investment media.

• **A Significant Venture**—Metropolitan has leased for 30 years an important midtown Fifth Avenue property. On this it will soon erect a $2,800,000, 19-story office building for the joint use of two prominent tenants: the City Bank Farmers Trust Co. and the Crowell Publishing Co. These two companies have signed 30-year leases for all available space. Rentals reportedly will provide the life company with a 7% annual return on its investment.

During the life of the ground lease Metropolitan expects to be able to write off gradually the entire cost of the building, while assuring itself of a satisfactory return on investment. At the end of this period, it will be in a position to restudy the situation. If still satisfied with future prospects, it could renew the ground lease and continue operating the building as previously.

Manhattan real estate brokers like the indicated setup very much. They think Metropolitan's move may start an important new trend.

DENVER KILLS SALES TAX

Denver is seeking new sources of revenue. So are most other cities (BW—Oct.12'46,p62). But Denver councilmen last week unanimously turned down a proposed 1% municipal sales tax. Reason: Denver consumers already pay $7,500,000 in state sales levies. The council was unwilling to add a further burden estimated at $3,500,000. The state tax begins with 1¢ on a 20¢ purchase. The proposed city tax would have started with the same schedule. This would have assessed a 2¢ levy on a 20¢ purchase, or 10%.

BANK HOUSES ITS OWN

Housing, customarily related to banking only through the medium of mortgages, has assumed a new relationship to the First National Bank of Palm Beach, Fla. Motivated by difficulties in housing extra women employees required by the rush of winter visitors, the bank has sought and received approval from the Comptroller of the Currency to build an apartment house.

The two-story project, costing more than $40,000, will consist of twelve air-conditioned single rooms with kitchenette and bath. From twelve to 24 employees will be housed in the unit.

Thrift Incentive?

Higher interests rates on savings are unlikely generally, despite slight increases that two big banks have announced.

Is a general upward revision coming in interest rates paid by commercial banks on time and savings deposits? This question is being asked now in many quarters. Last week both San Francisco's Bank of America N. T. & S. A. and New York's Bank of the Manhattan Co. announced higher rates effective at the start of 1947.

Nevertheless, the answer is probably, "No."

• **Move on the Coast**—On Sept. 2, 1942, interest rates on West Coast time deposits generally declined from 1½%. Since then Bank of America has paid the prevailing 1% on amounts up to $10,000. It has paid nothing on larger sums unless they have been continuously on deposit since 1942. Under the new schedule of rates, however, it will begin paying 1½% on savings accounts up to $10,000. It will also pay 1% on amounts above $10,000 continuously on



TO THE THIRD GENERATION

Howard Kellogg, Jr., 38, last week stepped into the presidential shoes of his father, who since 1922 had guided the destinies of Spencer Kellogg & Sons, Inc., of Buffalo. The junior Kellogg has been executive vice-president of the company, producer of vegetable oils, since 1943; before that, he served eleven years as vice-president. Howard Kellogg, Sr., a son of founder Spencer, becomes board chairman.

UMI



Brown Bros. photo of first National Automobile Show, 1900

9 Horsepower - Price $1,800

At Auto Show time in 1900, there were only a few thousand gasoline-driven automobiles in all America. The most powerful of these had a 9-horsepower motor...and cost $1,800.

By 1941, the most recent year of full-scale production, the automobile had become a daily necessity to *twenty million* American families! In forty years, it had reshaped our national life, because — while its power had multiplied ten times, its comfort and reliability even more — *its cost had been cut approximately in half!*

The ability of this nation to produce and buy goods on such a scale stems from two great contributions America has made to the industrial age—*mass production* and *mass investment*. Mass production — the industrial art of producing in great quantity, at low cost but at high wages. Mass investment — the democratic method of obtaining capital for industry, by putting the savings of millions of the American people to productive use.

To these developments, we owe the highest living standard in the world. To them, we look for the continued progress of our free economy in the years to come.

NEW YORK STOCK EXCHANGE

THE NATION'S MARKET PLACE

IT PAYS TO GET THE FACTS

In the ownership of *any* form of property, a certain degree of risk is always present. But the wise investor avoids *unnecessary* risk by making complete, current information the basis of his decisions. Information about securities *is* available; companies whose securities are listed on this Exchange have agreed to disclose, regularly, facts essential to sound investment judgment. It pays to get these facts —and to get them *first!*

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

Not a New Issue — December 9, 1946

399,860 Shares

Gulf Oil Corporation

Capital Stock

(Par Value $25)

Price $63 per share

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Put speed, power and stamina into the hands of your workmen by equipping them with Mall Portable Power Tools. Whether you are trying to increase production on the assembly line . . . speed heavy or light construction . . . keep railroad tracks traffic worthy . . . fell and buck trees . . . or do general maintenance work . . . there is a Mall Portable Power Tool that will do it faster and better. There are tools to saw, plane, drill, drive screws, grind, sand, buff, polish, vibrate concrete and pump — each backed by a 25 year old reputation for designing, engineering and manufacturing quality portable power tools. Over 300,000 square feet of plant space provides modern facilities for every phase of manufacturing. *Write today for complete catalog of portable power tools for your business or home work shop.*

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deposit for full semiannual interest periods.

The Bank of Manhattan now pays only ¼ of 1% on up to $5,000 of its special interest account balances. It will start off 1947 by paying 1% interest on $100 to $2,000 of such deposits, ¼ of 1% on the next $8,000, and ¼ of 1% on the next $10,001 to $15,000.

• **Readjustment**—Banking circles generally doubt that these two institutions expect interest rates to harden noticeably over the near term.

To many bankers, the new rates appear more of a readjustment to compensate depositors for the hardening in general money rates that has already taken place. Another motivating force is believed to be the bank's desire to place themselves in a better competitive position to solicit new business.

• **Recognition**—L. M. Giannini, Bank of America's president, announced the increased interest rates as a form of recognition of the part that time depositors have played in the growth of his bank. It is now the biggest nongovernmental financial institution in the world (BW—Jul.20'46,p76).

The bank's branches now have 2,300,000 savings accounts, 96% of them under $5,000 each, fewer than 0.7% over $10,000. Giannini estimates that the new interest rates will mean more than $5,000,000 to depositors.

• **Going Rate Is 1%**—In New York City, the National City Bank, the Chase National Bank, and the Manufacturers Trust Co., all of which operate large chains of local branches, have always shown above-average activity in developing "compound interest" accounts. However, they report that no "immediate" change in the interest rates on such deposits is contemplated.

This local reaction to the Bank of Manhattan announcement is quite understandable. The Chase for some time has been paying 1% on all compound interest deposits ranging from $50 to $2,500. This is the category into which the vast majority of savings accounts fall. And Manufacturers Trust has been paying 1% on up to $1,000.

TWA SEEKS "NEW MONEY"

Transcontinental & Western Air, Inc., is seeking a substantial Reconstruction Finance Corp. advance and other "new money."

Beset in recent months by a pilots' strike, temporary grounding of its Constellation fleet, and the general drop in air traffic (BW—Oct.26'46,p66), the line is understood to be trying to borrow $40,000,000 from the RFC and $5,000,000 from the Equitable Life Assurance Society.

And next week stockholders will be asked to approve the sale of additional capital stock.

These 3 ... *together*



THREE corporations, each serving a separate field of business . . . engineering . . . business operation . . . and investment banking . . . are all under the general direction of the parent company, Stone & Webster, Incorporated.

1. STONE & WEBSTER ENGINEERING CORPORATION furnishes complete design and construction services for power, process and industrial projects. It also constructs from plans developed by others; makes engineering reports, business examinations and appraisals . . . and undertakes consulting engineering work in the industrial and utility fields.

2. STONE & WEBSTER SERVICE CORPORATION is that part of the organization which supplies supervisory services for the operation and development of public utilities, transportation companies and industries.

3. STONE & WEBSTER SECURITIES CORPORATION, formerly Stone & Webster and Blodget, Incorporated, is an investment banking organization. It furnishes comprehensive financial services to issuers of securities and investors; underwriting, and distributing at wholesale and retail, corporate, government and municipal bonds, as well as preferred and common stocks.

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LABOR

Fuel for Annual Wage Fire

Latimer Report gives management a preview of possible government policy on pay guarantees. It urges new aids to employers, sees limited use of plan in seasonal industries.

Labor's annual wage drive is developing a momentum—and a resistance—reminiscent of the 8-hour day movement of a generation ago. The parallels are striking.

The 8-hour demand went through an evolution which began with its being advanced in a utopian vision by starry-eyed radicals. Then organized labor took it up as a union cause. In alliance with church and liberal groups, labor propagandized it to the public as a socially desirable end. Eventually it was accepted by the federal government as the standard work-week for federal employees. Finally, after strikes and bloodshed, it became the pattern for private industry.

• **Facts Needed**—The 8-hour day encountered bitter employer resistance. Responsible business spokesmen were widely quoted as predicting that its installation would doom the profit system. Some of the language used then is virtually identical with some now being directed against the annual wage.

To thoughtful employers who remember how the 8-hour day was established the parallels will be too close for comfort until the fight against the imposition of annual wage guarantees on industry is put on a sounder basis. They are looking for a factual defense in place of vague, oratorical protestations that will only help the opposition to argue that those who cried "wolf" against the 8-hour day are at it again.

• **Something Solid**—So this week in many large industry offices a careful study of the "Latimer Report" was going on. It was business' first chance to get its teeth into data from which government policy on annual wages might conceivably evolve. It would give business its first opportunity to reply to something "official."

For almost six months a research group under the direction of Murray Latimer, former chairman of the Railroad Retirement Board, has been preparing a report on the feasibility of annual wages. The work was commissioned by the Advisory Board of the Office of War Mobilization & Reconversion.

The interim results of this study have now been submitted. Together with a companion study on the economic effects of annual wages, soon to be published by Professors Alvin Hansen and Paul Samuelson, the Latimer document may furnish the basis for a forthcoming legislative message to Congress from the President.



Murray W. Latimer drew on a long career in old age insurance for his just-completed study of guaranteed annual wages. He is former Railroad Retirement Board chairman, onetime head of the Bureau of Old Age Benefits.

• **Aids to Employers**—Latimer offers three broad suggestions to make things

Packinghouse Workers Win 52-Week Guarantee

Up to this point the most determined annual wage drive in the C.I.O. has been that of the United Packing House Workers. Last week that drive garnered its second victory: Tobin Packing Co. of Fort Dodge, Iowa, agreed to guarantee 40 hours' pay for 52 weeks to its 600 employees.

Thus Tobin joined the Hormel Packing Co. of Austin, Minn. (BW—Oct.19'46,p92), as an example for unions to induce other employers to follow. But even U.P.W. admits that, though the ice has now been twice broken, it still has a long way to go before the major plants in the meat packing industry are operating under annual wage contracts.

• **The Tobin Plan**—Tobin guarantees 52 weeks' pay to all of its employees who have been on the payroll one year. Worker accounts will record debits and credits for hours worked. The employee gets regular cash pay for 40 hours every week regardless of the number of hours worked. If he works more than that in one week, his account will be credited with time and one-half for extra hours. If he works less than 40 hours, the deficit will be debited against him. At the end of each 13-week period the account will be balanced. If there is a debit, it will be written off the books. If there is a credit, the straight-time rate will be paid in a lump sum for accrued overtime hours.

• **Study Promised**—Major packers continued to resist annual-employment guarantees in 1947 contracts, now being signed (BW—Dec.14'46, p90). Their reaction to Tobin's agreement with the union was the same as that engendered for years by mention of the Hormel plan: that small, independent packers can undertake labor policies impractical for large, scattered plant operations.

Best the C.I.O. union could get from the major meat packers was a statement of mutual policy on desirability of an annual wage plan. Cudahy's 1947 contract "recognizes the importance and desirability of stabilizing employment on an annual basis, and to that end [the company] will . . . attempt to give employees 52 weeks' work per year." The contract makes clear that the statement "does not impose any contractual obligation" on the company.

Cudahy did agree to study, with the union, ways of applying an annual-wage plan to its operations.

UMI



1. 'Twas the night before Christmas, and all through the North, there was hunting and searching and scurrying forth. Detectives and posses combed each inch of ground . . . but look high and look low, Santa could not be found!



2. Oh, what can have happened, and where can he be? For the whole world is waiting by chimney and tree! Then dear Mother Santa said: "Pshaw!" and "Oh, well, has anyone looked in the Statler Hotel?"



3. To the nearest Statler like comets they flew. He was there! He was found! In room ten-twenty-two! They burst open his door (Mother Santa ahead) and discovered him just climbing out of the bed!



4. As she hustled him into his coat, boots, and cap, he explained that he'd only stopped in for a nap. But the bed was *so soft*—and his bones were *so weary*—"And now I'm all rested, and feel twice as cheery!"



5. Then he climbed through the window, for reindeer and sleigh were impatiently waiting to whisk him away; and he smiled like an elf, saying: "Now it will be—Merry Christmas to all, from Statler . . . and me!"

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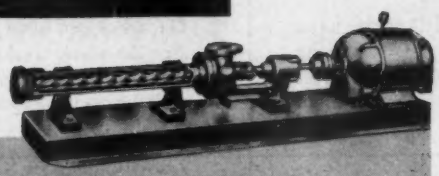
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IF IT WILL PUSH THROUGH A PIPE . . .
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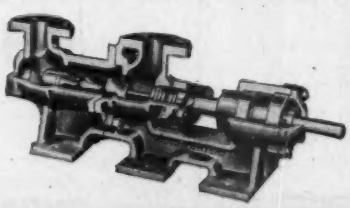
Moynos work where other pumps *won't.* They handle practically anything from liquids to non-pourable pastes. Deliver *positive* pressure, without pulsation. Self-prime up to 28-ft. suction lift. Pass *particles.* Resist corrosive and chemical attack. Have no pistons, valves, or high-speed impellers.

WORLD'S MOST VERSATILE PUMPS—New book, *"A Turn for the Better,"* tells the whole story about these remarkably versatile pumps; gives uses, pressures, capacities, dimensions. The simple rotor-stator pumping element does *all the work;* takes *all the wear;* stands-up even on "impossible" jobs. If you use pumps, or ever expect to, you should know about the Moyno.



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At right, the "Standard" Moyno for general industrial use.

Above, the "Tubular" model for higher pressures and greater resistance to abrasives. Types and sizes for every purpose.

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easier for employers who adopt guaranteed annual wage plans:

(1) The unemployment insurance could be liberalized to assist employers in meeting their guarantees to workers. As the law now operates, employers who guarantee annual wages are forced to pay the same unemployment insurance taxes as those who do not. Yet the nonguaranteeing employers expose unemployment reserve funds to far greater liabilities than do guaranteeing employers. Latimer believes the guaranteeing employer should pay regular taxes, but that his workers should be permitted to draw unemployment insurance benefits as soon as layoffs begin, in partial fulfillment of his guarantees.

(2) Income tax rules could be altered to permit employers to accumulate surpluses in good times to pay off guarantees in slack times. Under present law, sums paid out for wage guarantees are not taxable as they would be otherwise. But Latimer wants the government to exempt from taxation sums paid into funds that guaranteeing employers build up in advance of payment.

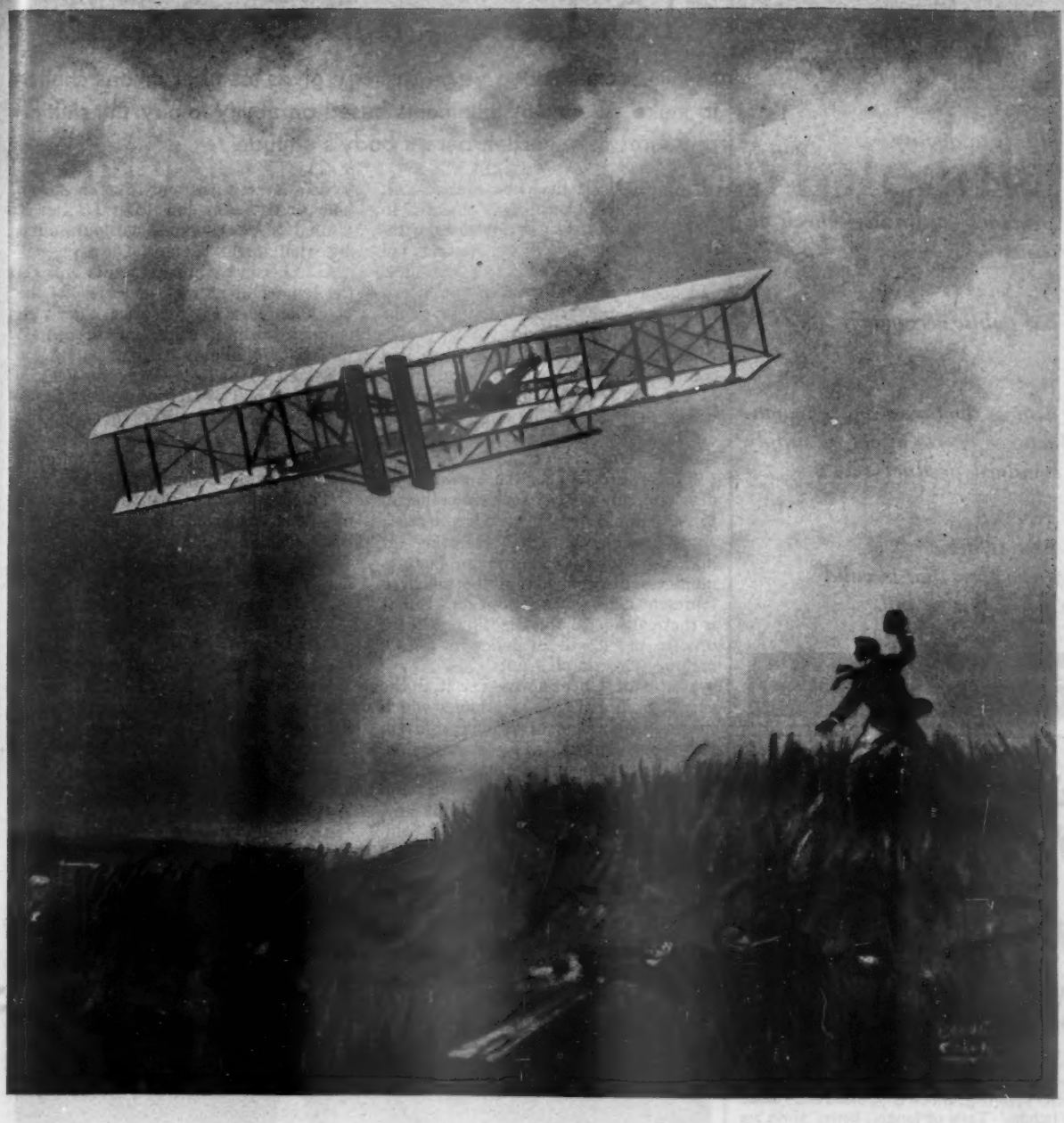
Latimer holds that the guaranteed wage plan is far more deserving of such assistance than the stock bonus, pension, and profit-sharing schemes. The government now encourages them by tax concessions.

(3) Provisions of the Fair Labor Standards Act covering annual wage plans could be revised. An employer with a legally acceptable guaranteed annual wage plan now does not have to pay at overtime rates unless an employee works more than 56 hours in one week. The important requirement for this concession is that the employee must not work more than 2,080 hours in one year—an average of 40 hours a week. Latimer suggests that this annual limit be raised to 2,280 hours—an average of about 44 hours a week. In return, he would like to see weekly overtime begin after 50 to 53 hours instead of 56.

• **Steel Analysis**—The Latimer Report is important, also, because it studies the advisability of installing the guaranteed annual wage in the steel industry, among others. Economists are particularly skeptical of the feasibility of annual wage plans in steel. They point to the highly cyclical nature of the industry, with attendant periods of sharp unemployment.

Latimer confined his analysis to the years 1937-41, making no attempt to go back to the great depression following 1929. Even so, he recommends a drastic limit on wage guarantees in the steel industry.

Latimer also studied the men's shoe and clothing industries. His conclusion: Limitations of the guarantee will be necessary in all industries subject to sharp cyclical fluctuations.



He flew through the air with the greatest of difficulty

Along the lonely Carolina shore at Kitty Hawk one winter day in 1903 a powered heavier-than-air "flying machine" took off from a greased rail. Its engine rested on its lower wing and beside the engine lay the pilot, Orville Wright, with controls hitched to his shoulders. In this fashion he "flew" about 120 feet while his brother Wilbur stood by watching.

The aviation industry, which was born that day, soon took on anti-friction bearings as standard equipment, and SKF led in the development of these bearings.

During the war SKF turned out millions of bearings for fighting aircraft, bearings for high powered engines as well as gas turbines for jet propulsion, and many types of ultra high-precision bearings used in air distance recorders, turn and bank indicators, tachometers and many other delicate instruments.

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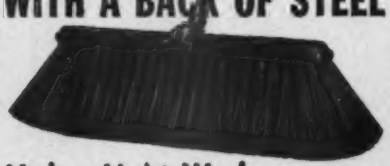
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C.I.O. Leaves a Door Open

Second-round wage strategy gives member unions chance to make individual settlements based on ability to pay. But shifting pressures may harden parent body's attitude.

"Flexible" is the word for C.I.O. wage strategy. The union's object is to secure maximum wage increases without resort to strikes. If negotiations fail to develop what the C.I.O. considers "adequate" raise offers from employers, then—and only then—will the strike weapon be unlimbered.

At least until the lines of push and counterpush harden in battle, the employer who is wondering how much he will have to add to his wage bill in order to avoid a second-round strike can think in terms close to 15%.

This was the essential meaning of developments at this week's meeting in Pittsburgh of top C.I.O. leaders in steel, autos, and electrical manufacturing. It does not square with the public pronouncements, which must be taken to represent a bargaining position. But it is the real line of the Big Three C.I.O. unions, and it will set policy for C.I.O. organizations on all fronts.

• **Source of Uncertainty**—Yet it is the very flexibility of C.I.O.'s strategy which introduces an element of uncertainty in the labor outlook. The organization, eying five different factors, considers that fast footwork will be its most important asset. A significant shift anywhere may force it to reverse its field. No C.I.O. union is disciplined enough to do a direct turnabout from an untenable position, as did John L. Lewis' United Mine Workers, without suffering what might be mortal losses.

C.I.O.'s five compass points are: (1) the temper of its rank and file; (2) the new Congress; (3) the price index; (4) competition from other unions; and (5) individual employer settlements.

• **Forced to Deliver**—A recent Factory Magazine poll of factory workers shows that 50% would strike for wage increases. The C.I.O. leadership knows that it must deliver substantial raises or face rank-and-file demands to strike.

This explains the plan to file notices of intent to strike. The move will satisfy the militant rank and file, and it is counted on to strengthen the unions' hands in negotiations.

• **Tip to Congress**—Some C.I.O. leaders are saying that the more drastically Congress deals with strikes, the more strikes there will be this season. They fear that a far-reaching strike-control enactment will appear to have secured labor peace if the second round of wage adjustments does not develop major strikes.

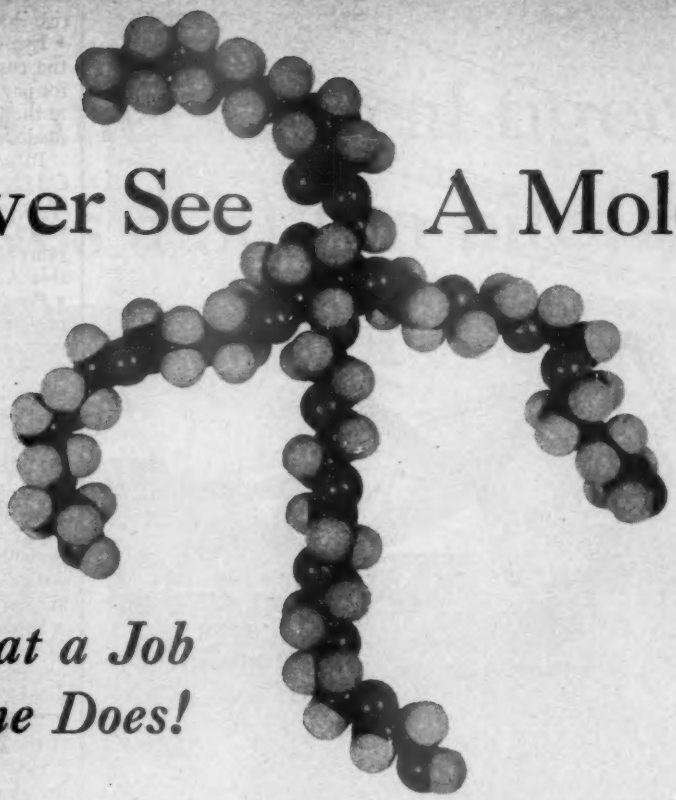
Thus, they imply the threat that in addition to strengthening employer resistance to what the C.I.O. considers "reasonable" demands, a strong anti-strike law will give the unions an incen-



TURNABOUT: NEWSMEN MAKE THE NEWS

This week negotiations were resumed between the Philadelphia Record and striking newsmen—but not before several persons were injured in a delivery platform scuffle (above). Despite efforts of pickets, the Record and Camden (N. J.) Courier Post (both published by David Stern III) have not missed an edition since Nov. 7, when the strike started. Both report increased ad lineage and circulation. Stern, one of the first publishers to recognize the American Newspaper Guild, balked at 1947 wage demands. New objective: a compromise.

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UMI

tive to prove the law is unworkable.

• **Eye on Prices**—The C.I.O. has made the cost of living the central argument for pay boosts. Hence any sharp change in the price index before settlements are made will influence its wage position.

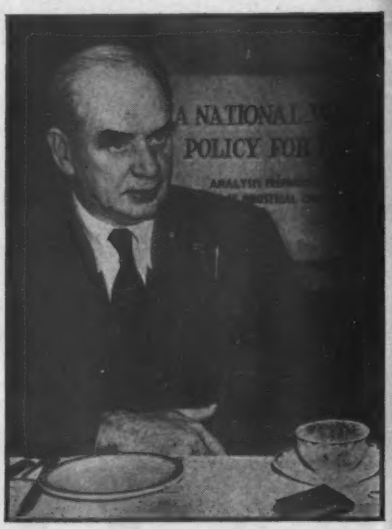
In considering settlement terms, the C.I.O. will be mindful of what other labor organizations are doing. It cannot afford to get for its membership smaller gains than will be achieved by comparable A.F.L. or independent unions.

• **Possible Upset**—Finally, the standard for an industry-wide wage settlement may conceivably be established by a factor beyond C.I.O. control. Thus, for example, Weirton Steel and the independent union with which it is now negotiating may settle on 1947 wages before the C.I.O. and the U. S. Steel Corp. come to an agreement.

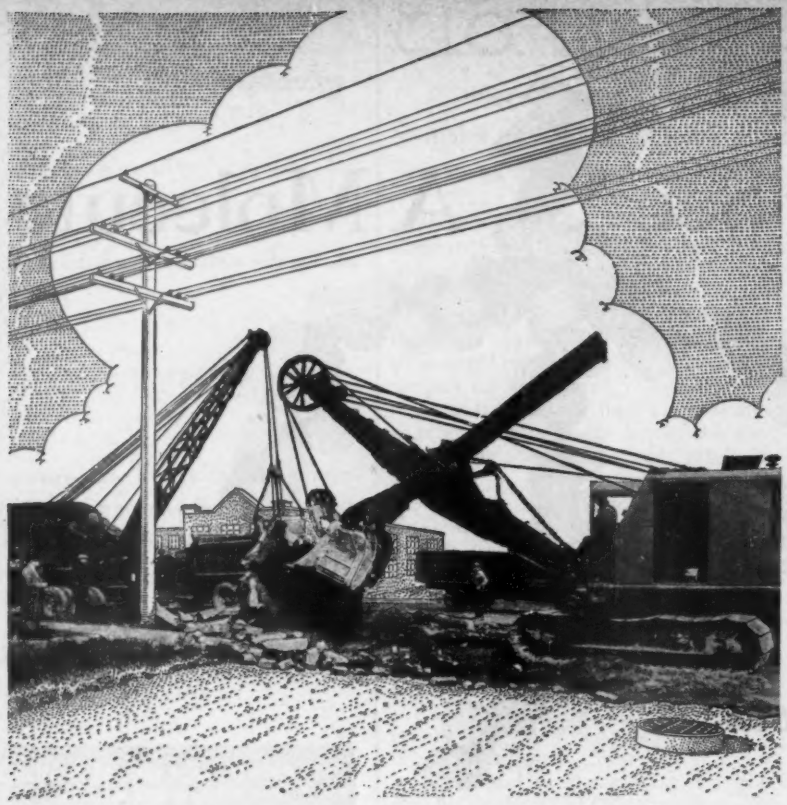
In the past, Weirton has done just that. The result was that the pay level on which the whole industry ultimately settled was determined in negotiations in which the C.I.O. was not represented.

• **Separate Negotiations**—At this time, however, the plan for a national wage pattern to which all C.I.O. settlements would conform is definitely scrapped. Some development may revive it. But at the outset, there will be unhampered negotiations by individual unions. Initial demands may show uniformity. But there will be a new measure of flexibility, permitting settlements at different levels.

The C.I.O. is attempting to justify its wage demands on the basis of living costs—prices. It will make its settlements on the basis of ability to pay—profits. Having committed itself to such a course, it must perforce acknowledge that no single wage-increase figure can be rigidly applied.



Front figure in C.I.O.'s 1947 wage campaign is Philip Murray, president of C.I.O. and its steelworkers union.



Getting the breaks

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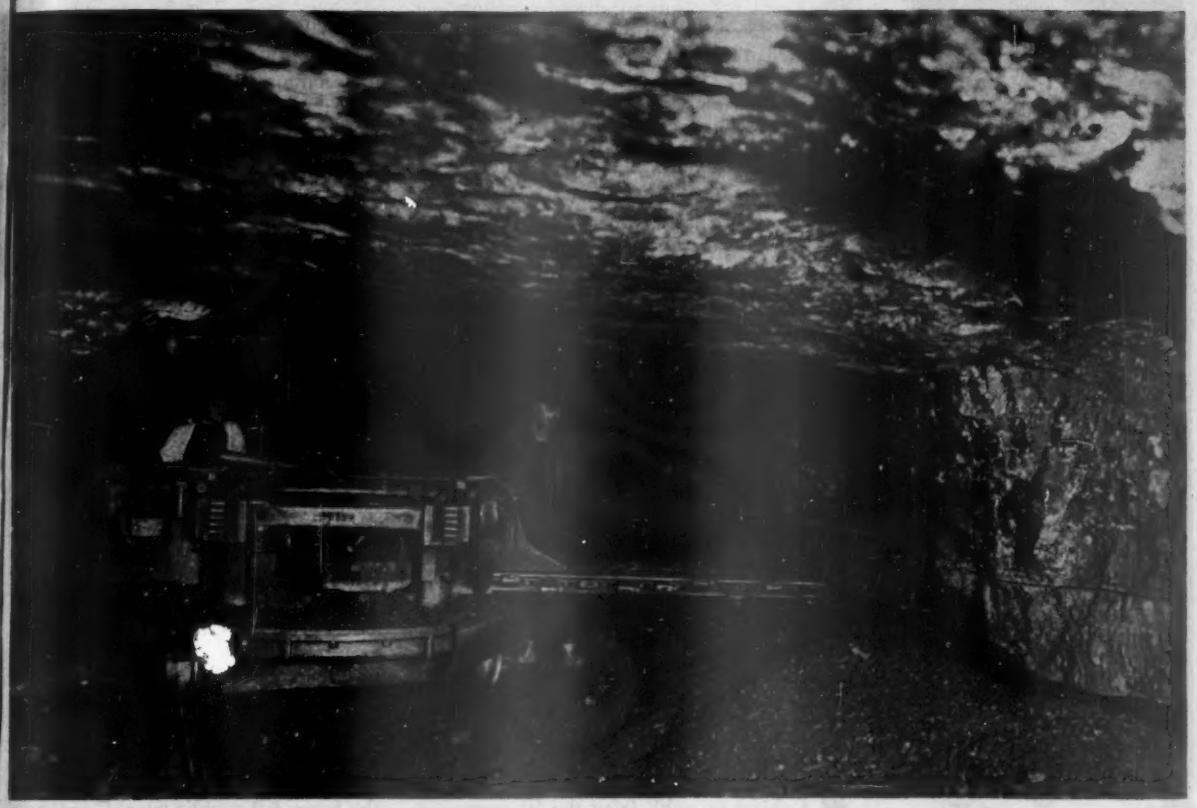
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The job being done by this machine today in the mines where most of America's coal is produced used to be done by pick and shovel, with the miner wielding his pickax while lying on his side beneath the coal. This is but one example of the forward-marching program that has made America's coal mines the most productive, the most efficient, and the *safest* in the world.

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As a result, America's Bituminous Coal miners are the most productive—and the best paid—on earth. Their average weekly pay in recent months has exceeded $60. In August, 1946, for example, their weekly pay averaged $62.37 and the hours worked per week, including travel time, averaged 42½.

During the past 20 years, over 300 million dollars have been spent by the industry for mechanization and safety equipment. And in the next five years even bigger expenditures are planned for the same purposes. This big investment by the modern and progressive coal companies has made possible for their miners the best working conditions of any coal miners in the world, and wages now higher than those earned in any other American industry.

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Belated Recipe

Labor-management committee indorses voluntary methods of settling disputes, but Congress wants more than promises.

"Too little and too late" sums up important congressional reaction to Labor Dept. maneuvers to win public support for voluntary disputes-settling machinery. Recommendations by the Conciliation Service's Labor-Management Advisory Committee are considered inadequate.

Reading election returns against the strike background of 1946, few expect the new Congress to be lulled into inaction on labor legislation. It appears certain that some new machinery will be set up. What this will be still is an open question (BW—Dec.14'46,p93).

• **Nothing New**—Members of a Senate subcommittee studying plans for 1947 labor legislation were signally unimpressed by the labor-management suggestions. These were for essentially the same methods used during the past year, when strikes broke all records. They included no concrete recommendations for machinery that could be put in motion to prevent strikes when voluntary techniques fail.

There still appeared to be no agreement within the subcommittee on just what machinery would work as a bar to paralyzing strikes. Ideas differed on whether it should be located outside the Labor Dept., whether it should apply compulsion in settlement of disputes in such fields as utilities, and how it should handle jurisdictional quarrels between unions.

It was obvious that the Labor Dept.'s object in publicizing the labor-management report on disputes methods was to try to forestall new labor legislation. To this end, it obtained from labor-management advisers agreement that "free collective bargaining can work." The advisers approved current principles and policies, opposed new machinery or principles for settlement of disputes.

• **Significant Protest**—The committee of labor and management representatives was set up a year ago at the suggestion of the President's Labor-Management Conference. It might be expected to indorse free collective bargaining and reject compulsory arbitration. But its belief that "super machinery" for disposing of labor disputes might "frustrate rather than foster industrial peace" is considered significant.

This opinion presages at least some management opposition, as well as labor's, to a federal mediation board. Such a board was contained in the Case bill, and until now the idea has been considered almost certain to be adopted in 1947.

Management opposition to another government board stems from the feeling that the board's findings would have the effect of binding arbitration, even though they might technically be only recommendations. Employers' experience with the National War Labor Board provides the further argument that the very existence of the board would destroy genuine collective bargaining. Union officials would be inclined to resort to the board without exhausting collective bargaining.

• **Recommended**—Four techniques for mediating disputes recommended by the committee and indorsed by Chief Conciliator Edgar L. Warren have been used in the past. They also comprise the present policy of the Conciliation Service.

They are: (1) use of special conciliators, prominent persons outside the government; (2) tripartite mediation, bringing in industry and labor representatives to advise the conciliator; (3) voluntary arbitration, both of grievances under a contract and of new contract terms when mediation has been exhausted; and (4) "emergency boards of inquiry," where the parties consent.

The "emergency boards" would be established under the same conditions and serve the same purpose as last winter's fact-finding boards in automobiles, steel, farm equipment, meat packing.

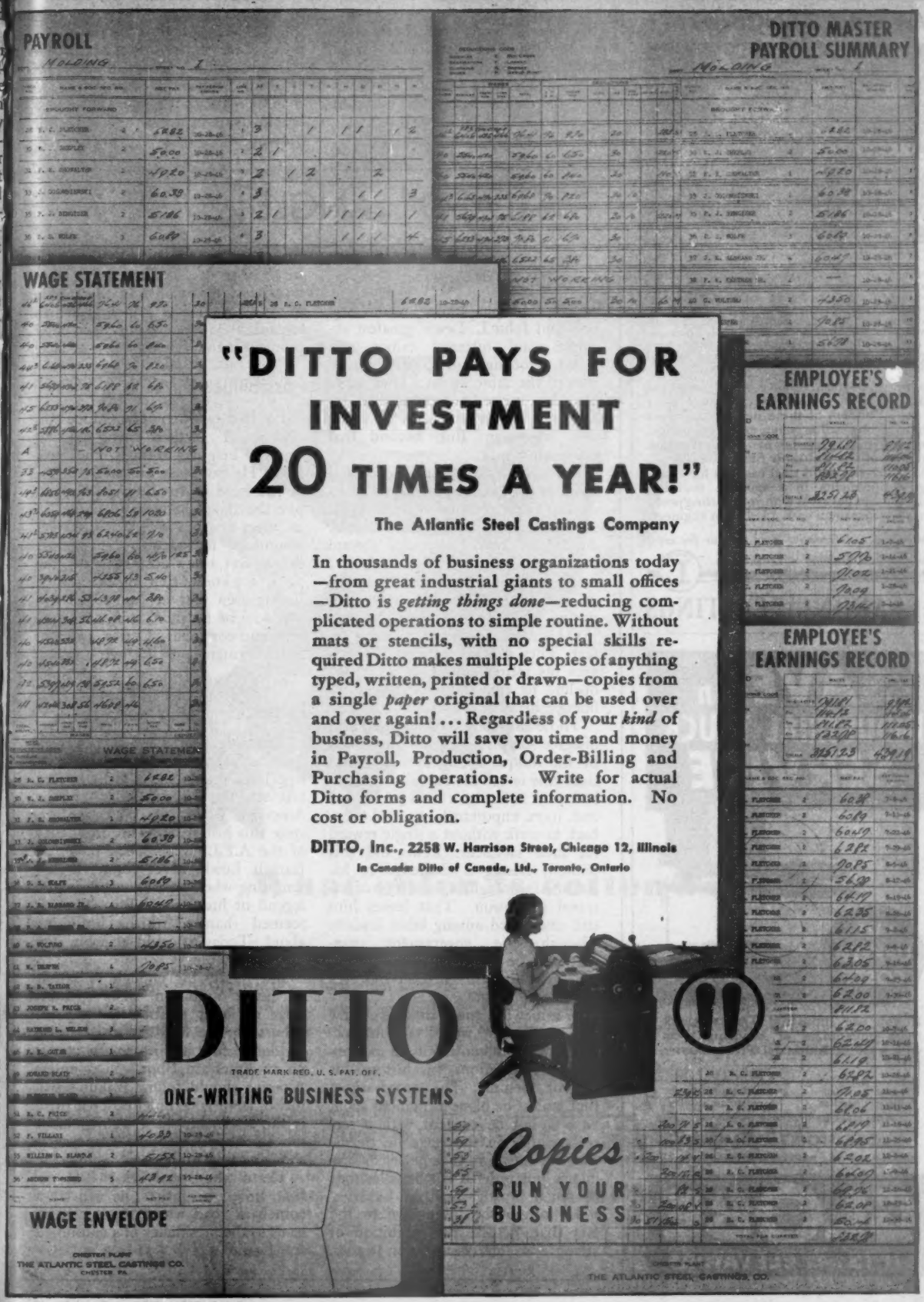
VICTORY FOR U.M.W.

The U. S. Supreme Court this week faced a second major test in the currently urgent issue of union rights of foremen. One week ago the court formally docketed the Packard Motor Car Co. case (BW—Dec.14'46,p106). Now the Jones & Laughlin Steel Corp. question is headed toward the court on an appeal.

The issue in the Jones & Laughlin case is whether supervisory employees may belong to the same union as rank-and-file workers. The more basic issue is at stake in the Packard case. This is whether supervisory employees are entitled to claim any collective bargaining rights under the National Labor Relations Act.

A U. S. Court of Appeals this week ruled unanimously that affiliation of Jones & Laughlin mine foremen in a rank-and-file union is legal. The company took steps immediately to carry the case to the Supreme Court.

A year ago Jones & Laughlin supervisory employees in four captive coal mines signed membership cards with District 50 of the United Mine Workers (A.F.L.). Although the company refused to recognize the union, the government promptly did so after it took


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over all coal mines last May (BW—Jul.27'46,p96).

The case went into the courts when Jones & Laughlin petitioned for an injunction. Its contention was that "A single union cannot lawfully act as exclusive representative of both rank-and-file employees and supervisors." The injunction petition was dismissed.

The decision written for the Court of Appeals by Justice Bennett C. Clark did not mention directly the question of whether supervisory employees can claim bargaining rights under the act. It dealt principally with the government's right to change conditions of employment in mines under its seizure order.

THE LABOR ANGLE

Lewis

Labor people—among whom you will find John L. Lewis' greatest admirers and bitterest critics—have spent a fortnight in spirited discussion of the mine leader. They agree that his inglorious retreat has cut down his stature as a national figure and bogeyman. But, beyond that point, they split.

Labor professionals are most interested in the effect of the Lewis fiasco on the man's prestige in labor ranks. And their appraisals are naturally shaped by earlier attitudes toward him.

Thus, those who have long feared or scorned him are now busy composing his obituary. They conclude that his capitulation is a crushing defeat. They say that it inevitably presages his retirement or, at least, his decline to comparatively minor influence in labor affairs.

Those who have long admired him disagree sharply. They are impressed by the unique spectacle of a union chief able to call his disciplined members to a strike by a wink of his eye and, more importantly, to send them back to work without a single reward for their sacrifices. Lewis did this without raising a challenge to his leadership or lighting any fire of internal dissension. That leaves him still unequaled among labor leaders. Though the government overmatched the power he could muster, it leaves him still great in the eyes of these admirers.

A somewhat more objective view of Lewis' future would take into account what is known of his personality, his ambitions, his history, his present dilemma. The record argues that, unless he plans retirement soon, he will not be content with a secondary role on the stage he treads. But it also shows that he needs eminence not only in labor circles, but in much broader fields.

He cannot be insensitive to the fact that, despite his exhibition of strength as an organization leader, his recent cave-in has made him much less formidable in the public mind. If, at 66, he is determined to remain a national figure, his chief problem is to retrieve his loss of face.

Possibilities

For that task he ponders three possibilities. First, there is the old trail to the heights—through the coal fields. He can essay another struggle at the head of his miners. He can pile the stakes higher and higher in an effort to get a victory of sufficient magnitude to cancel out his costly defeat. But a new obstacle lies in the path. He knows that his adversaries, having seen that he can be beaten, will now be far more stubborn, resolute, and confident. Certes, as Lewis himself might put it, that way lies madness.

Prize

Rejecting that way, he can turn again to his astute game of labor politics. If he moves adroitly, Lewis can take over the titular leadership of the American Federation of Labor, despite this lost strike. The presidency of the A.F.L. is no mean prize, although Lewis never found it too tempting when he was secure in the legend of his invincibility. Then it seemed hardly worth bothering about. Today, it could be a big step upward for him.

But hardly big enough to satisfy an heroic ambition. The greatest prize of labor politics has not yet been won. He who gets it gets also as high a rank as history can confer on an American labor leader—unless America should follow Britain's history of labor governments. That prize is the leadership of a unified labor movement which counts its membership in many millions.

Those who know Lewis best say that, unless he retires, he will try a comeback road which, on his map, leads to the presidency of a combined A.F.L. and C.I.O.



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THE INTERNATIONAL OUTLOOK

BUSINESS WEEK
DECEMBER 21, 1946

SERVICE

Washington is ecstatic over the outcome of the momentous meetings of the U. N. Assembly and of the Council of Foreign Ministers.

•

Results admittedly exceeded expectations in both cases.

In addition, negotiators at the capital now believe that this happy trend will reach a climax when the council reconvenes in Moscow in March.

This means that a three-power solution of the German question is in sight.

•

Basically, this is a victory for the U. S. in its long diplomatic struggle with the U. S. S. R.

Russia has won the minimum objectives it set out to achieve: domination of eastern Europe, and a solid place among the top world powers.

But in its struggle to reach beyond these minimum goals—into western Europe, the Mediterranean, Africa, and Iran—it has been outmaneuvered by the U. S.

•

Washington does not overestimate its victory.

Rivalry between the U. S. S. R. and the western powers for spheres of influence has only momentarily been fought to a standstill.

Emphasis will now shift to consolidation of these areas.

•

In Germany, you can expect energetic development of the local economy in the merged U. S.-British zones.

Also, control officials—led by Lt. Gen. Lucius D. Clay—will resolutely deny Russian demands for exorbitant reparations out of current production.

Object is to prove to Moscow that such a policy provides the only effective way to put Germany on its feet.

If sufficient progress is made before the council convenes in March, Russia is expected to join the merger in a gamble for a continuing and effective flow of reparations once the plan clicks.

•

Russian maneuvering will shift significantly in the next three months.

Instead of making a military show along the country's periphery (in Germany, Hungary, Yugoslavia, Iran), the Russians are expected to turn to internal problems.

Many troops in occupied areas will be recalled, demobilized, and put to work rebuilding railroads, homes, factories.

Moscow at last is acknowledging that armies without industrial power to back them frighten only small and weak countries.

And that social restlessness and lagging production at home can become a political menace to the Kremlin if prolonged indefinitely.

•

Don't expect the new spirit of cooperation to eliminate all friction.

In the Far East a crisis is brewing in U. S.-Russian relations because of China.

Washington continues to pay lip service to the plan for establishment of a genuinely democratic government at Nanking.

But at the same time the flow of U. S. supplies to Chiang Kai-shek's forces has revived the power of a small group of Chinese reactionaries.

Little is admitted by Washington, but this group is now openly defying

UMI

Gen. George C. Marshall in his demand for a constitutional government representing all parties.

Our China policy has failed miserably. Moscow can be expected to play this for an advantage in the settlements still to be written in the Orient.

Washington's recent firm stand on financial issues has precipitated a crisis among leaders at the capital.

The group now definitely in the saddle wants to use the International Bank as an instrument of foreign policy.

Specific plan would be to allow loans only to nations ready to back our country's policies for liberalizing world trade.

Eastern Europe and parts of the East obviously are the areas that would be hit by such a policy.

•

Enforcement of such a program is possible.

Members' votes in the bank are weighted in accordance with the amounts of their contributions.

The U. S. and Britain together contribute more than 50% of the bank's capital. Thus they have more than 50% of the vote. (Russia is not a member.)

Also, each member can veto the use to which its share of the funds is put.

•

This was the issue which precipitated the resignation of Eugene Meyer as head of the bank.

The anti-Eastern policy was framed through a vote of the board of directors, of which Secretary of the Treasury John Snyder is a member.

Meyer asked President Truman whether the head of the bank or Snyder was to control policy. Truman said Snyder.

So Meyer quit.

Meyer supports the Washington policy of fighting trade straitjacketing. But he believes that the International Bank should follow an international policy.

•

Whether the U. S. will continue to insist on the Snyder policy now that Russia shows a tendency to cooperate is open to question.

The fact that Czechoslovakia made a prompt about-face to support U. S. policy when our loan offer was withdrawn has made Washington financial leaders realize that our lending power is our greatest weapon in international bargaining.

Consequently, the U. S. is likely to stick to its guns until assured that its general plan for an International Trade Organization is accepted.

•

Western Europe, realizing its preferred position in Washington planning, is aggressively going after business.

A representative of the American Businessmen's Club of Amsterdam, Holland, is in the U. S. now. He is offering factual information to firms interested either in selling or in manufacturing in the Netherlands.

Ford Motor Co. announced this week that it would start almost immediately to manufacture spare parts in Holland.

This means expansion of present assembly facilities and the employment of many more workers.

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France Overhauls Its Economy

Monnet plan calls for streamlining industrial system, increasing production goals, and doubling exports. But nation's deficit on foreign account may run $5 billion in four years.

PARIS—Approval this month of Jean Monnet's modernization plan is significant. It signals a serious French effort to boost production, exports, standard of living, and prestige between now and 1950.

France is digging in for a trade battle with Britain and the U. S. when the going gets tough—probably a year from now.

By 1950, production is to top the 1929 level by 25%.

• **Big Deficit Foreseen**—To do this, France will be forced to incur a deficit on foreign account of nearly $5 billion in the course of four years. This will be caused by excessive imports of equipment and raw materials. Also the country must expand employment by lengthening the work week and importing labor. And it must streamline a notoriously outmoded industrial system. France also desperately needs coal—from any source in any quantity. Total capital investment in the national economy will run to $17 billion.

More than 1,000 persons worked out the plan in 18 industry commissions. The members of the commissions included businessmen, labor leaders, politicians, and federal experts.

When the current proposals were approved at the plan council, Frenchmen were urged to realize that, like Britain, France must export or die. It was added that, to export, the French must either modernize or live like the Japanese.

• **To Boost Output**—Next year is considered of critical importance, and goals of higher output or capacity have been set for six key industries: 11% in coal to 55.5 million metric tons; 11% in electric power to 26 billion kwh.; 16% in ingot steel to 7,000,000 metric tons; 100% in cement to 6,000,000 tons; 625% in tractors to 12,300 units; and a 23% in carloadings to 160,000,000 tons.

Some of these figures are sharp advances from 1938, a comparatively bad year. Others will be new records (table, above).

• **Short of Capital**—France expects to export twice the value of 1946 shipments (and to top 1938 exports valued in 1946 prices). But the negative balance of international payments will be nearly $1,600,000,000, or 80% as great as last year.

As a matter of fact, France is still expected to be $850 million short of the capital needed to complete the scheduled plan. That is after assuming a sharp rise in trade and tourist business, liquidation of $2 billion of French overseas assets, and a $500-million loan from the International Bank for Reconstruction & Development. The deficit might be met by liquidation of gold holdings. Probably it will mean appeals for additional large credits from abroad.

• **Orders Total $700 Million**—Plan experts worked out elaborate schedules for equipment and materials imports (BW—Jun.22'46,p97). They are vague, however, on where new orders will be placed. It's a safe bet that price trends in supplying countries will affect their decisions. French officials have echoed the British complaint that the "real" value of their loan is dwindling as U. S. prices creep upward.

So far French equipment orders have totaled $700 million. In the next four years $1,230,000,000 will be ordered in the following categories (millions of dollars):

Merchant fleet	$320
Transportation	200
Auto industry	100
Steel industry	100
Textile industry	84
Agricultural machinery	75
Port facilities	50
Construction industry	38
Electric power	30
Coal mining equipment	25
Construction materials	21
Fuels	21
Cement	8
Foundries	8
Machine tools	4
Others	200

• **Lots of Coal Needed**—Examples of French purchase plans include: a million-ton-a-month order for U. S. coal next year—if it is available; a $90 million continuous hotstrip steel rolling mill, plus a coldstrip rolling mill; 40,000 freight cars and 750,000 tons of shipping for delivery before 1948; 15,000 tons of big steam shovels and earthmovers for the construction of dams, and 200 ditch-digging machines; loaders, long- and short-wall scrapers, duckbills, and flotation equipment for use in mines.

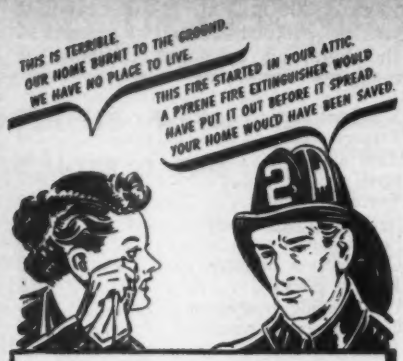
France has already placed orders for 1,400 locomotives, 45,000 freight cars, 50 tankers, several thousand tractors, and two complete 100,000-kw. power plants.

French planners see this vast capital expansion as the only way to economic



This week Premier Leon Blum (above) got the vote of confidence that his interim government needed. But his major task—laying the foundations for a restored French economy—still promises plenty of headaches. And the Monnet plan to modernize that country's industry may prove not the least.

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French Four-Year Plan Goals

Production and performance goals for French industry from 1947 through 1950 compared with actual experience in the last prewar year and first postwar year are:

	1938	1946*	1947	1948	1949	1950
Coal (millions of metric tons)	46.5	50.0	55.5	59.0	62.0	65.0
Steel (millions of metric tons)	6.1	4.2	7.0	9.0	10.0	11.0
Cement (millions of metric tons)	4.1	3.0	6.0	8.0	11.5	13.5
Carloadings (millions of metric tons)	n.a.	130	160	190	220	240
Electricity (billion kwh.)	19.3	23.5	26.0	30.0	32.0	37.0
Tractors (thousands)	n.a.	1.7	12.3	n.a.	n.a.	n.a.

** Estimated; n.a.—not available.*
Data: Comissariat de Plan.

prosperity, political stature, and military readiness.

• **Derided in England**—Across the channel, British economists are skeptical of the plan. They predict an overcapitalization in western Europe, instead of a rational industrial integration. They say that in that direction lies depression. They see a military motivation for heavy industry as outmoded by the new nature of war. Some say that the Monnet plan bears no relation to present conditions in France. Some call it wildly inflationary.

France's battle toward recovery has hardly been matched elsewhere in Europe. It remains to be seen who's called the turn now: the French planning commission under Jean Monnet or the British economic analysts.

ITALIAN SHIPS RETURNED

The United States returned the liners Vulcania and Saturnia to Italy a few weeks ago. This ended an invisible "reparations" to the U. S.

The 1943 armistice agreement gave the U. S. and Britain all of Italy's shipping (except a flotilla of coasting vessels). The Combined Shipping Adjustment Board divvied the fleet between the two Allies. The ships were to be used as transports, hospital vessels, and freighters. The U. S. got the passenger ships Vulcania, the Saturnia, and the Sestrierre, among others.

The Vulcania is to stay in the Mediterranean-New York service until Americans in the Near East have been repatriated. (Italy gets the profits, booking passages through American Export Lines.) Then the ship may join the Saturnia repatriating Italian prisoners of war from British Empire possessions.

Britain got mostly tankers from Italy. Some of them were lost to enemy action.

The U. S. seized 28 Italian ships in American harbors under the 1917 law permitting seizure if sabotage is attempted. Most of these have been sunk.

The wartime use of Italian merchant ships by the Allies and their return now does not affect reparations claims.

CANADA

Finance Shift

Douglas Abbott takes over task of balancing Dominion's budget and completing new tax agreement with the provinces.

OTTAWA—The job of untangling what remains of Canada's wartime control system and balancing postwar budgets passed last week to Douglas Charles Abbott, 47-year-old Montreal lawyer. Abbott, formerly Minister of National Defense, became Minister of Finance in Prime Minister Mackenzie King's long-planned reorganization of his cabinet.

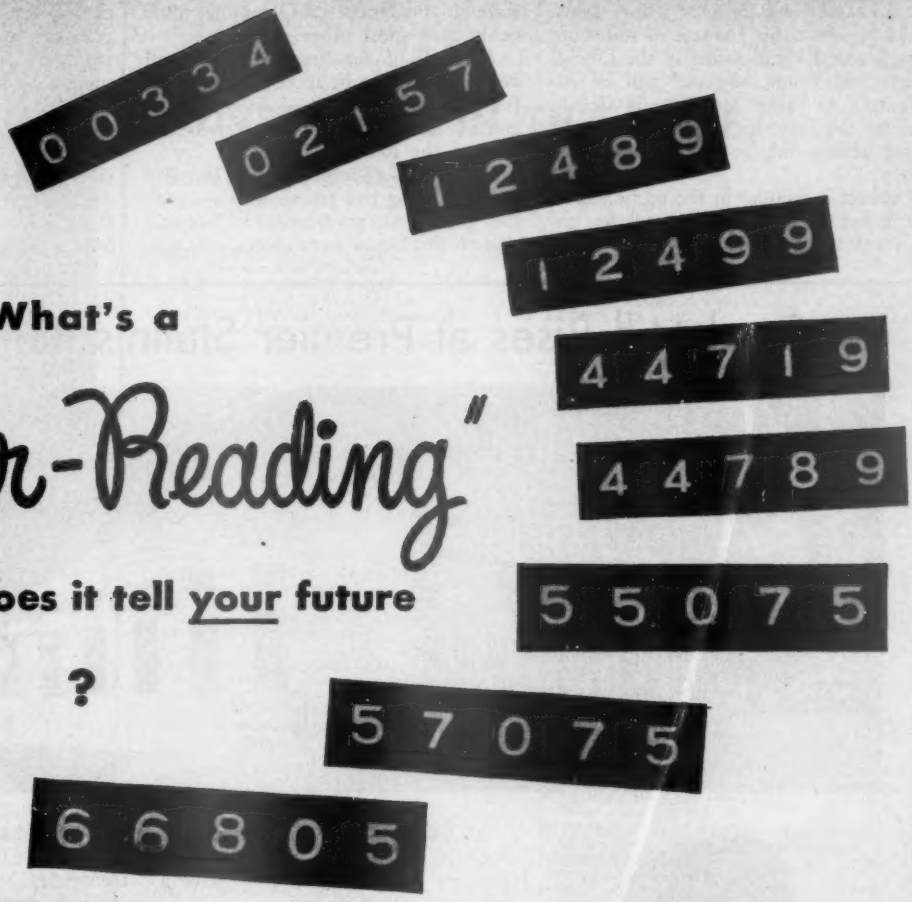
Abbott relieved James Lorimer Ilsley, who had grown weary and slightly ill after six years in the government's toughest financial post during the most difficult period in its history. Ilsley's simplicity and austerity kept him popular even when he was piling on taxes and cutting off price and wage increases. He now goes to the more dignified but less onerous post of Minister of Justice.

• **Wide Duties**—The Ministry of Finance is responsible for more than administration of the treasury. It controls tariffs, monetary policy (through the Bank of Canada, which reports to it), the mint, banking, foreign exchange, prices.

Abbott is already familiar with his new job. He served as Ilsley's assistant before becoming defense minister. He also relieved Ilsley twice when the former minister had to take long rests.

During Ilsley's six-year term the Dominion government's total expenditures rose from $681,000,000 in 1939-40 to $4,691,000,000 in 1945-46. Ilsley was the chief architect of the tax system which boosted revenues from $562,000,000 to $2,955,000,000.

• **Targets**—Abbott faces the job of bringing revenue and expenditures into



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line somewhere around $2,000,000,000. At the same time, he must reduce taxes. If he succeeds, his chances of following Mackenzie King as leader of the Liberal Party and Prime Minister will be enhanced. As things stand he is already one of the favorites for the post when King retires—maybe in two or three years.

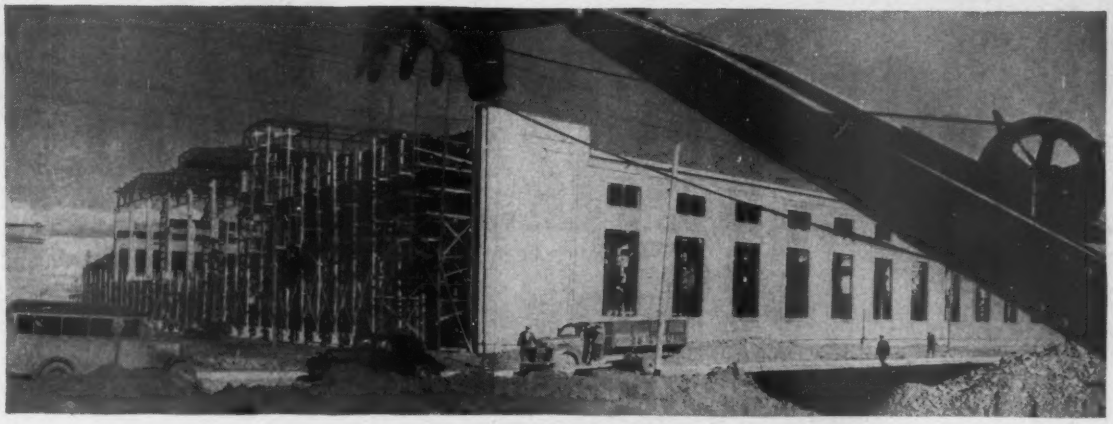
Abbott is popular in the party and in Parliament, has a way of making unpleasant things looks reasonable. This enables him to get unpopular bills through the House of Commons more easily than most other ministers.

As head of the finance department he is expected to be more decisive than Ilsley has been, and to follow the line given him by the permanent civil service and the Bank of Canada.

• **Tax Move**—Abbott's first big task will be completing the tax agreements with the provincial governments. Negotiation on this began more than a year ago. The national government is seeking exclusive rights to impose income, corporation, and estate taxes in return for larger subsidies to provincial governments. So far three provinces out of nine have agreed.

Ottawa is now increasing its bids slightly in order to get as many as possible in line. It wants the provincial governments to stop levying taxes in those fields so it can distribute revenues from provinces of concentrated wealth

Big Steel Mill Rises at Premier Stalin's Birthplace







MOSCOW—The Georgian Soviet Socialist Republic, birthplace of Premier Joseph Stalin, is to have a big steel mill of its own.

To build the Transcaucasian Iron & Steel Works 20,000 persons are working day and night. Located 15 mi. from Tiflis, the plant is scheduled to turn out 500,000 tons of steel annually by 1950. It will use local materials and power.

• **Huge Project**—The construction site covers a dozen square miles on which the blast and openhearth furnaces, rolling mill, cooking shops, and auxiliary plants are being built.

Right now a half-dozen buildings are under construction (above). More than 1,300 cu. yd. of concrete are poured and 300 tons of structural steel assembled each shift. Boss of the job is Engineer Colonel Nestor Georgadze (left, above).

Inside near-complete buildings machines are being installed, including small furnaces, forges, lathes, and U. S.-built presses (left, below).

• **City for Workers**—Because of the size of the project, a completely new city—Rustavi—is being built to house workers and management. Rustavi will have a population of 50,000. First houses, built in typical Georgian two-story balconied style, are finished (below) and workers are moving in.

The new mill's coal will come from nearby Tkvibuli, and power will be supplied from Tkvarchelges. Ore will be mined at Dashkesan in the adjoining Aberbaijan S.S.R.





Douglas Charles Abbott, Canada's recently appointed Minister of Finance: His next stop may be the top.

more equitably across the country.

• **More Changes**—Other cabinet shifts made by the Prime Minister put Brooke Claxton into a combined national defense post covering army, navy, and air force. King said he expected Claxton to effect many economies through service consolidation. Paul Martin, on the Canadian delegation at the United Nations Assembly, has taken Claxton's post of Health & Welfare. Colin Gibson, former air minister, has moved to Martin's previous post, Secretary of State.

AUTO PRICES RISE

OTTAWA—The sale price of Canadian-built passenger cars and commercial trucks has been boosted, effective this week.

New car prices are raised 10% and truck prices 7%. Authorization was granted to the Ford Motor Co. of Canada, General Motors of Canada, and the Chrysler Co. of Canada.

The Canadian Price Board reported that the increase was allowed following demonstration of need by producers. Higher prices are being paid for parts imported from the United States. Manufacturers face substantially higher costs of both domestic labor and materials.

Despite the increase, the board noted, Canadian-built cars are still competitive with imported vehicles. It is now estimated that a standard model imported from the U. S. will cost at least $200 more than the same model made in Canada, even at the new price.

Although U. S. automobile prices are in the third loop of an upward cycle Canadian prices are just starting the first round.

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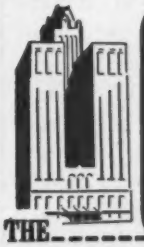
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THE MARKETS (FINANCE SECTION—PAGE 70)

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	145.4	147.1	140.6	164.7
Railroad	48.7	50.3	45.5	63.6
Utility	80.5	79.3	74.5	81.2
Bonds				
Industrial	123.1	122.8	122.6	123.3
Railroad	113.0	113.0	112.9	117.6
Utility	111.9	112.9	112.2	116.6

Data: Standard & Poor's Corp.

Stocks Again Mark Time

Last week saw stock market prices close at levels well above those prevailing prior to the opening of the week's trading. On Saturday most of Wall Street's bullish contingent was more than willing to bet that prices generally would stage their customary late-December rally once this year's extra-heavy load of tax-loss sales began petering out.

• **Basic Strength Was Lacking**—Other equally astute observers of the Wall Street scene were not altogether satisfied with New York Stock Exchange proceedings last week. Particularly disappointing to this group was the lack of basic strength disclosed in the upsurge that greeted the favorable strike and freight rate news as the week opened.

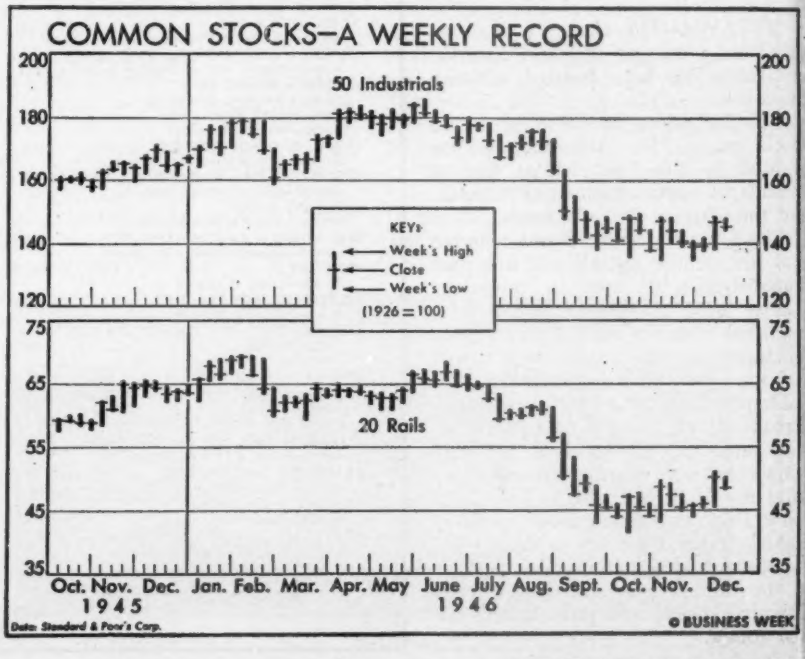
Despite that rally's impressive start, it proved only a one-day affair. Once prices had been sent zooming again into the so-called "supply zone," the early avid bidding for shares abruptly vanished. As buying orders disappeared, profit-taking sales and tax selling quickly began to take their toll. By the week end, as a result, close to 40% of the earlier gains scored had been erased.

• **Activity Dwindles**—Big Board trading sessions since have disclosed no notable improvement. Through Wednesday of this week no increase in buying orders had been witnessed. Most of the dwindling activity revealed in the market appeared mainly engendered by tax-loss sales or other year-end adjustments. Particularly content to sit on the sidelines this week, also, were the professional short-term traders.

Mainly causing this recurrence of the attitude of wait and see what happens that has so hampered stock market trading lately is the current labor picture, particularly the uncertainties of the early months of 1947.

It has been noticeable lately that some Wall Streeters have begun to feel that this phase of the market outlook is being overemphasized. Because of election returns, the outcome of the coal strike, and other factors, this group now believes that, in its coming demands, labor will adopt a far more conciliatory attitude that is now generally expected.

• **Clarification Awaited**—As yet, however, few run-of-the-mill stock market participants, judging from board room comments, appear willing to agree with this advance diagnosis. As far as they are concerned, early-1947 labor developments are still unpredictable. And they want definite clarification on this point before they actively enter the market again. They are well aware that further wage rises could well have profound ef-



fects on 1947 profits of many a corporation.

Causing much thought, for example, is the recent U. S. Supreme Court decision upholding the principal of portal-to-portal pay. Numerous companies could be liable for large sums in retroactive wage payments.

If the customary late-December rally does come, it could easily send averages well above the resistance point recently so effective in dampening many earlier waves of buying enthusiasm. A good test of the market's basic strength should be seen once the current wave of tax-loss selling assumes nominal proportions.

The Spotty Results of Recent Rallies

Once the initial feverish liquidation of a bear market has dried up, it is often followed by a so-called secondary rally. These sometimes are capable of recovering 33% to 66% of earlier losses. In 1929, for example, the Dow-Jones industrial index suffered a 48% drop. Then it quickly rallied and recovered 52% of that decline. The rail average, sent 32% lower, soon regained 47% of its loss.

Thus far the 1946 bear market has yet to unveil any sustained rally. There have been occasional upsurges. These have finally permitted the industrial index to recover about 23% of its May-October loss, and the rails some 30%. However, it has been a spotty recovery for individual stocks, as indicated in the sampling below.

	1942-46 Bull Market High	*1946 Bear Market Low*	*Subsequent High*	*Dec. 17, 1946*	*% of 1946 Loss Recovered*
Industrial Common Stocks					
Allied Stores	$63.37	$31.12	$40.00	$37.50	23.3
Allis-Chalmers	62.75	30.50	36.87	35.25	14.7
American Air Lines	19.87	9.00	10.25	9.87	8.0
American Can	112.12	79.00	91.50	89.50	31.7
American Car & Foundry	72.37	42.00	51.00	49.50	23.1
American Tobacco "B"	100.25	76.25	84.25	80.25	16.6
American Woolen	70.75	29.50	50.25	48.50	46.1
Anaconda Copper	51.87	35.00	41.87	39.37	25.9
Armour & Co.	18.50	10.12	15.12	14.50	52.2
Bethlehem Steel	114.75	85.62	94.87	92.00	21.8
Chrysler Corp.	141.00	75.25	90.62	85.75	15.9
Douglas Aircraft	108.87	63.62	73.00	70.25	14.6
E. I. du Pont	227.00	161.00	188.00	186.00	37.8
General Electric	52.00	33.50	38.00	36.62	16.9
General Foods	56.12	39.12	46.50	44.25	30.1
General Motors	80.37	47.75	54.75	52.12	13.4
Gimbel Brothers	73.50	32.50	46.00	42.75	25.0
B. F. Goodrich	88.50	59.50	66.50	62.50	10.4
International Harvester	102.00	66.25	76.50	75.50	25.9
Johns-Manville	167.50	115.00	136.25	133.00	34.3
Montgomery Ward	104.25	57.25	67.25	62.25	10.6
National Dairy Products	45.25	30.00	38.37	36.25	41.0
National Distillers (1)	32.37	19.37	23.00	21.62	17.3
Pacific Mills (1)	48.00	28.50	34.12	31.25	14.1
Paramount Pictures (1)	42.50	26.12	34.87	32.87	41.2
Sears Roebuck	49.62	35.25	38.50	37.62	14.7
Standard Oil (N. J.)	78.75	61.62	69.12	68.00	37.2
Studebaker	38.50	18.12	22.87	20.25	10.4
Swift & Co.	41.12	31.00	35.25	34.25	29.2
Tide Water Associated Oil	24.12	17.50	19.50	19.50	30.2
TWA	71.00	18.75	22.75	19.50	3.3
Union Carbide	125.00	88.00	94.75	94.00	16.2
United Airlines	54.25	19.50	23.87	22.37	8.3
United Fruit (1)	53.62	41.50	50.87	49.50	66.0
U. S. Rubber	80.00	48.25	54.37	53.62	16.9
U. S. Steel	97.37	65.12	75.50	72.00	15.1
Westinghouse Electric (1)	29.75	21.12	26.75	25.00	44.9
Railroad Common Stocks					
Atch., Topeka & Santa Fe	121.00	78.00	98.25	96.25	42.4
Atlantic Coast Line	83.00	45.00	56.50	52.50	46.1
Chesapeake & Ohio	66.87	48.75	56.00	54.50	37.2
Great Northern (Pfd.)	64.00	40.50	51.00	48.50	34.0
Illinois Central	45.50	18.12	27.37	25.50	26.9
Louisville & Nashville (1)	72.25	45.37	52.37	51.00	20.9
New York Central	33.75	13.87	19.37	18.75	24.6
N. Y., Chicago & St. Louis	61.25	26.00	39.25	38.00	34.0
Pennsylvania	47.50	25.00	29.75	26.50	6.7
Southern Pacific	70.00	38.25	49.50	47.25	28.3
Southern Railway	65.00	33.00	46.00	46.25	41.4

(1) *Adjusted for stock split-ups.*

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THE TREND

BLUEPRINT FOR MORE INFLATION

About a year ago Robert R. Nathan, then operating as Deputy Administrator of the Office of War Mobilization & Reconversion, made a report to his chief. In it he argued that on the average manufacturing enterprises in the United States could pay a wage increase of 24% without any increase in prices. It proved to be an extremely mischievous report, for it buttressed from high official sources the drive, both in and outside the government, for uniform wage increases. Because there was no uniformity in ability to pay higher wages without price increases, this drive first created bulges in price-control lines and finally wrecked price-control machinery completely.

• **Now Mr. Nathan is** at it again—this time as an economic consultant in the employ of the C.I.O. Again using averages, he reports that manufacturing corporations "can afford to grant their production workers an increase of 21% in total earnings at the present time without reducing the corporate rate of return on net worth to a level below the 1936-39 average of 6.9%." Again it is to be anticipated that his report, which Philip Murray says will serve as a "guidepost" for C.I.O. unions in wage negotiations, will prove extremely mischievous. Embraced by the C.I.O. unions, it would add to the pressure already created by internal C.I.O. politics for uniform wage adjustments in a situation where lack of uniformity is a dominant characteristic.

Should the pressure for a uniform upward wage adjustment prevail, there is no reason to doubt that it would give the industrial price spiral another spin upward. Thus it would end up by doing Nathan's C.I.O. clients relatively little good wagewise and giving the country a further inflationary beating in the process.

• **In making his calculations** of what he calls the excess-profit fat that can be sliced off in the form of wages, Nathan does some very dubious figuring. His profit figure is an estimate for fourth-quarter 1946 that seems higher than warranted. Also, the profit story for 1946 as a whole is vastly different from that of the fourth quarter. And there is no justification whatsoever for the assumption that earnings can be maintained at the fourth-quarter peak. Industry and trade themselves expect the contrary to be the case. For they have been operating in a most extraordinary sellers' market. Inevitably, this condition must pass; when it does, profits will prove to be a principal victim.

Not only is Nathan's profit estimate too high, but his judgment of what constitutes a reasonable profit in times of prosperity is considerably off base. By employing as net worth the extremely low figures represented by book value, he is able to recommend an aggregate profit for 1947 that is slightly lower than that in 1941 and the war years. Industry is expected to be satisfied with such a profit, although investment in plant and equipment has been substantially increased and national income has been greatly expanded in the interval.

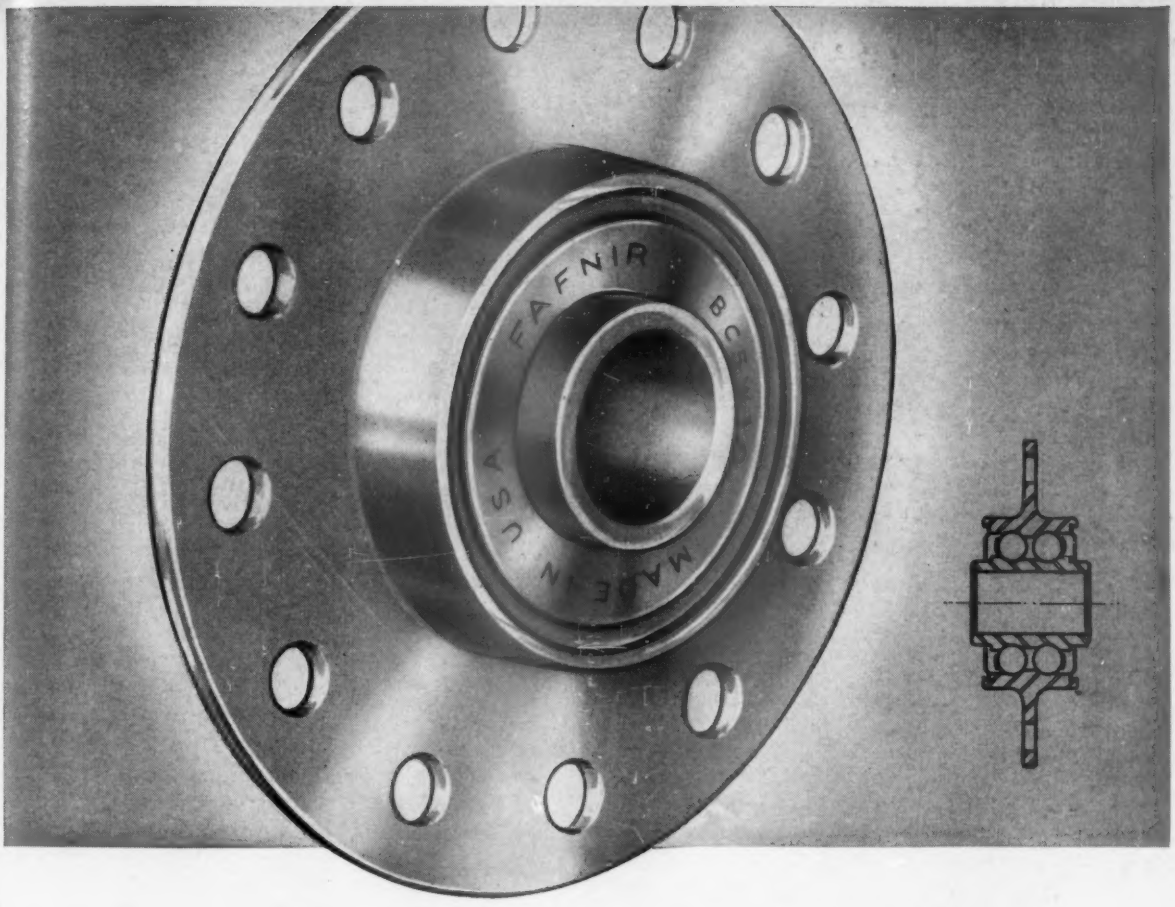
Again we must emphasize, as we did last month (BW—Nov.30'46,p104), that the U. S. economy does not operate in this fashion. If investment is increased, industry quite rightly expects to earn a larger profit.

• **The chief sin** of Nathan's current effort for the C.I.O., however, is that for practical purposes it underwrites a uniform treatment in a situation where discrimination is the essence of economic wisdom. Its counterpart in the clothing field would be to make all men's suits size 40 because that happened to be a rough average of all customers, midgets and giants alike. He mentions, to be sure, that his calculations deal with "the basic general situation" and "do not apply exactly to any individual industry." But the shading here is extremely light. What is underlined in bold black type is the average. Union politics will make the average count, and as a wage policy the average is as bad now as it was a year ago.

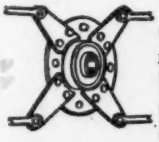
As was emphasized in a Report to Executives a few weeks ago (BW—Nov.30'46,p37), a dominant characteristic of the 1946 profit situation is variation from industry to industry. Most nondurable lines, as well as the steel companies, show a higher profit this year than last. But automobile firms, many electrical equipment manufacturers, aviation companies, a number of railroads, and many others are earning considerably less in 1946 than in 1945. Fourth-quarter statements will, of course, make better reading than those for the year. But it is the race as a whole that counts, and not one lap.

Likewise an equally dominant characteristic of the present situation is variation in the degree to which the wages of workers have kept pace with the cost of living. Nathan himself has pointed this out, and Business Week underlined the fact both graphically and in words a few weeks ago (BW—Nov.9'46,p88). There it was shown that increases in average hourly earnings since January, 1941, have ranged all the way from 125% in women's clothing to 34% in malt beverages. One of the difficult aspects of the present situation is that the industries in which the wages of workers have fallen behind the advance in the cost of living also tend to be industries where profits have been thin, and hence industries where wage increases undoubtedly mean price increases.

• **In circumstances as variable** as those indicated, the very essence of a sensible wage policy is discrimination. To put forward the average as the "guidepost" to what should be done is like trying to do brain surgery with a meat cleaver.



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